



# Builders: Here's a great home financing option that can help you sell more homes

Home Equity Conversion Mortgage for Purchase

**H4P**  
HECM FOR  
PURCHASE



**RMF**  
REVERSE MORTGAGE FUNDING LLC

There's great opportunity in the 62+ market.

# Are you prepared?

Every day, over

**10,000**

Baby Boomers  
turn 65<sup>1</sup>

By 2030,

**20%**

of the U.S. population  
will be 65 or older<sup>1</sup>

Today,

**1/4**

of all home buyers  
are age 60 and above<sup>2</sup>

<sup>1</sup>Pew Research Center, Baby Boomers Retire, December 29, 2010

<sup>2</sup>National Association of Realtors, 2014 Homebuyer & Seller Generational Trends Research

**Our Home Equity Conversion Mortgage (HECM) for Purchase (H4P) home financing program can help you sell more homes, by making it easier for people age 62 and older to buy the home they desire.** Also known as a reverse mortgage, H4P is a Federal Housing Administration (FHA)-insured\* program that's specifically designed to help your clients buy the home they want—with fewer financial worries and limitations.

**This guide can help you get the facts you need to tap into this vital market, create more foot traffic and sell more homes.** You'll learn how it works, what your options are, how easy it is for your potential buyers to qualify, and how homebuyers are using it today. If you still have questions, please call us anytime.

\*This material has not been reviewed, approved or issued by HUD, FHA or any government agency. The company is not affiliated with or acting on behalf of or at the direction of HUD/FHA or any other government agency.

# Why H4P?

HECM for Purchase (H4P) is a unique home financing option created specifically for buyers age 62 and older. Buyers can purchase a home by combining a one-time investment of their own funds (a down payment of about 29% to 52%, depending on borrower age) with loan proceeds from a HECM. This down payment range assumes closing costs will be financed into the loan. As with a traditional “forward” mortgage, the home they purchase secures the loan. But unlike a traditional mortgage, there are **no monthly mortgage payments required** while they own and live in the home as their primary residence—making buying a new home even more attractive.

As with any home-secured loan, in order for the loan to remain in good standing they must maintain the property, and keep current with property-related taxes and insurance payments.

## *The advantages are clear, and time-tested:*

- **It can help you attract and capture a brand new—and rapidly growing—market of home buyers.** Did you know that one fourth of today’s home buyers are age 60 and older, according to a recent study by the National Association of Realtors?
- **More shoppers can become buyers.** In our experience, a substantial percentage of buyers would not have purchased if it were not for the H4P program. This product is getting potential customers to make a purchasing decision because it allows them to keep more of their cash than they could with a conventional mortgage or an all-cash purchase.
- **Buyers can get additional spending power.** H4P buyers are more likely to have increased purchasing power for upgrades or to purchase a higher-end home (i.e. premium lot, more square footage, etc.).

# How it works

Like any home purchase, H4P requires an upfront investment from the buyer. The money must come from assets they already own, and not from another loan. The down payment, or “required investment,” must come from an allowable source such as the sale of a current home or funds in a checking, savings, retirement, or other investment account. This list is meant to provide common examples, and is not an exhaustive list of all acceptable sources.

## How the buyer’s required monetary investment is determined

The minimum required monetary investment is based on the age of the youngest borrower. To calculate a buyer’s investment amount, we take the value of the home being purchased (the sales price or appraised value, whichever is less) and add any loan or home purchase closing costs, then subtract the available HECM loan proceeds. The buyer’s required monetary investment generally works out to about 29% to 52% of the sale price, depending on age. This calculation is determined by the Department of Housing and Urban Development (HUD).

These are age-based loans that allow older borrowers to qualify for more in loan proceeds, and therefore have a lower minimum monetary investment amount. For example:

Purchase Price		\$250,000	\$350,000	\$400,000	\$500,000
Age		<i>Cash required*</i>	<i>Cash required*</i>	<i>Cash required*</i>	<i>Cash required*</i>
	62	\$128,018	\$178,285	\$203,408	\$253,654
	65	\$123,518	\$171,985	\$196,208	\$244,654
	68	\$118,518	\$164,985	\$188,208	\$234,654
	73	\$109,268	\$152,035	\$173,408	\$216,154
	78	\$99,018	\$137,685	\$157,008	\$195,654

\*The amounts displayed are for illustrative purposes only. Actual down payment amounts may vary based on interest rate and other factors. Please contact us for details about credit costs and terms.

# How it's different

## Traditional Mortgage

A traditional mortgage limits the amount of funds shoppers have to invest upfront, restricting their purchasing power. This puts limitations on the kind of house or upgrades a shopper may decide to purchase now—and could cause financial issues for them in the future.

## H4P

H4P does not require monthly mortgage payments\* throughout the life of the loan. Interest and fees are simply added to the loan balance so that it increases over time, rather than decreasing. The buyer builds less equity—but unlike a traditional mortgage, they are never at risk of owing more than the home is worth at the time of repayment.

The FHA requires that all HECM applicants complete a session with an independent, third-party counselor in person or by phone. This is for the buyer's protection, to make sure that they fully understand the program and the terms of the loan.

### Comparing three ways to purchase a new home:

	<b>1</b> ALL CASH	<b>2</b> TRADITIONAL MORTGAGE	<b>3</b> H4P
<b>Why?</b>	<ul style="list-style-type: none"> <li>Buyer owns the home free and clear</li> </ul>	<ul style="list-style-type: none"> <li>Option to make a minimum down payment and limit upfront investment</li> <li>Builds equity as they pay down the loan</li> </ul>	<ul style="list-style-type: none"> <li>No monthly payments of principal and interest*</li> <li>Gives the buyer the flexibility to get the home they really want</li> <li>Allows them to keep more assets to use as they wish</li> </ul>
<b>Why Not?</b>	<ul style="list-style-type: none"> <li>Ties up a large portion of their money</li> </ul>	<ul style="list-style-type: none"> <li>Monthly mortgage payments diminish the buyer's cash flow</li> </ul>	<ul style="list-style-type: none"> <li>The buyer's equity in the home decreases as the loan balance increases over time due to interest.</li> <li>When the loan comes due, the buyer or their heirs must pay off the loan to keep the home.</li> </ul>

\*Borrower is responsible for property taxes, homeowners insurance, and property maintenance in order for the loan to remain standing. A HECM is a home-secured loan that must be repaid upon default or a maturity event, such as when the home is sold, all homeowners have passed away, or the last surviving borrower no longer lives there as their primary residence.

# The growing importance of H4P

- **35% to 40%** of all qualified cash buyers are opting for the H4P financing, according to our participating builders
- **Over 95%** of our participating builders are experiencing an increased rate of customer upgrades, increased lot premiums and/or sale of higher-priced homes with the H4P customers
- **Over 85%** of all our H4P customers were greatly influenced by the H4P financing option in determining upgrades and features
- **21 days** = Our Service Level Agreement to close from Certificate of Occupancy.

## How your shoppers become buyers using an H4P loan. Here's an example:

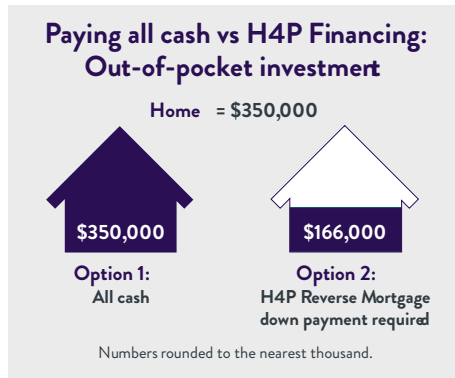
Here's a hypothetical example, to show you how it can work for your potential home buyers. Let's say the buyer's home is owned free-and-clear, and they want to buy a smaller home that's closer to their children and their families. The price of the home they want is \$350,000, and the buyer is asking \$425,000 for theirs.

**Option 1 — All Cash:** The buyer could use the money from the sale of their home to pay all cash for the new one; after paying realtor fees and taxes, this would leave them with about \$40,000 and no monthly mortgage payment.

### Alternative — H4P Reverse

**Mortgage:** However, by using an H4P loan instead, they could buy the new home with only \$165,737

of their own funds —keeping \$144,263 more than if they paid cash, and still having no monthly mortgage payment. (As with any mortgage, they would still be responsible for paying property-related taxes, insurance and upkeep in order for the loan to remain in good standing.) This could make it easier for your buyers to afford options or upgrades they want or need.



This example is for illustrative purposes only. Closing costs may include an origination fee, third-party closing costs, and an FHA-Mortgage Insurance Premium. Interest rates and funds available may change daily without notice.

## Why RMF?

Our company, Reverse Mortgage Funding LLC (RMF), is an industry leader, with deep expertise and a strong history of success with H4P financing and working with home builders. We know how to help your business thrive with the H4P program.

Every step of the way, we will provide a consultative experience to you and your prospective buyers who are eligible for H4P financing. At no cost to you, a dedicated loan officer and training team members can provide your company's sales consultants with the knowledge they need to understand how H4P works, so they know the benefit to your business and can close more sales. In addition, your RMF loan officer will serve as an expert resource who will educate and work closely with prospective borrowers. You can trust RMF for exceptional service, including a specialized H4P team that swiftly facilitates loan processing, closing and even FHA condo approvals.

### **The requirements are straightforward:**

- Borrower must be age 62 or older, and be able to make a one-time investment of approximately 29% to 52%.
- The home they are purchasing must be their primary residence, and must meet FHA/HUD guidelines.
- Although there are no monthly mortgage payments, the customer is still responsible for property-related fees such as taxes, insurance and HOA/Condo fees (as applicable). We will conduct a financial assessment to ensure that each prospective borrower has the willingness and ability to meet their loan obligations.
- The down payment must come from an allowable source, such as the sale of a home or from other assets (not from another loan; certain restrictions apply).



# RMF

REVERSE MORTGAGE FUNDING LLC



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