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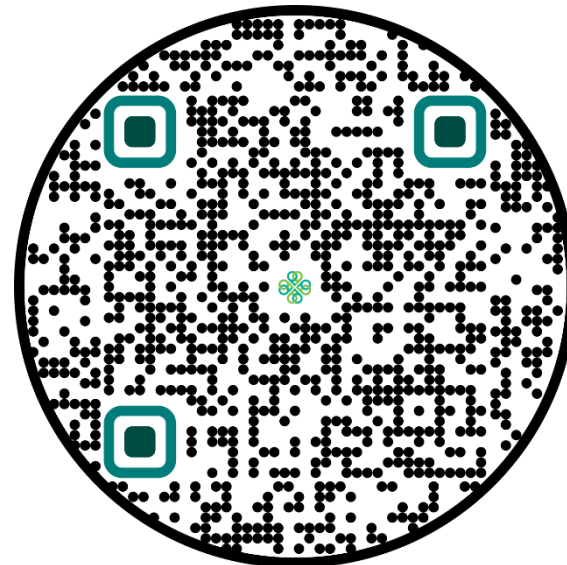
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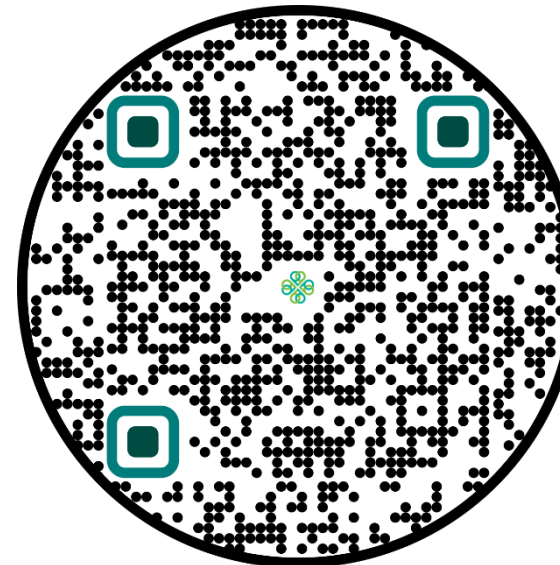
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How to Use the Reverse Mortgage to Purchase a Home

Plaza's Loan Origination Partners

January 2025

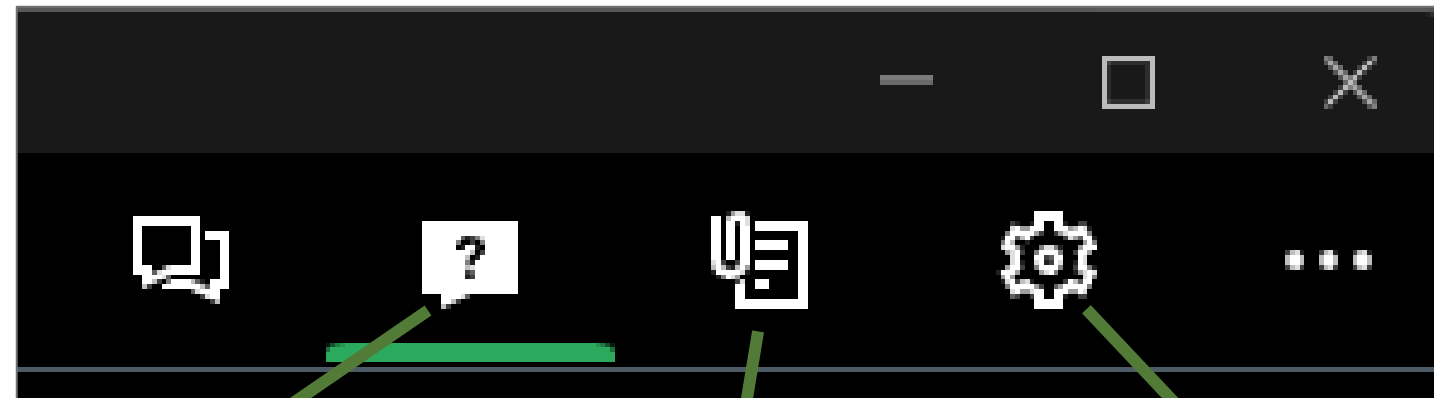
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Presenter



Mark Reeve

VP, Reverse Mortgage Division

Plaza Home Mortgage

Agenda



Introduction to Reverse Mortgages



Why Reverse Purchase?



Basic Guidelines

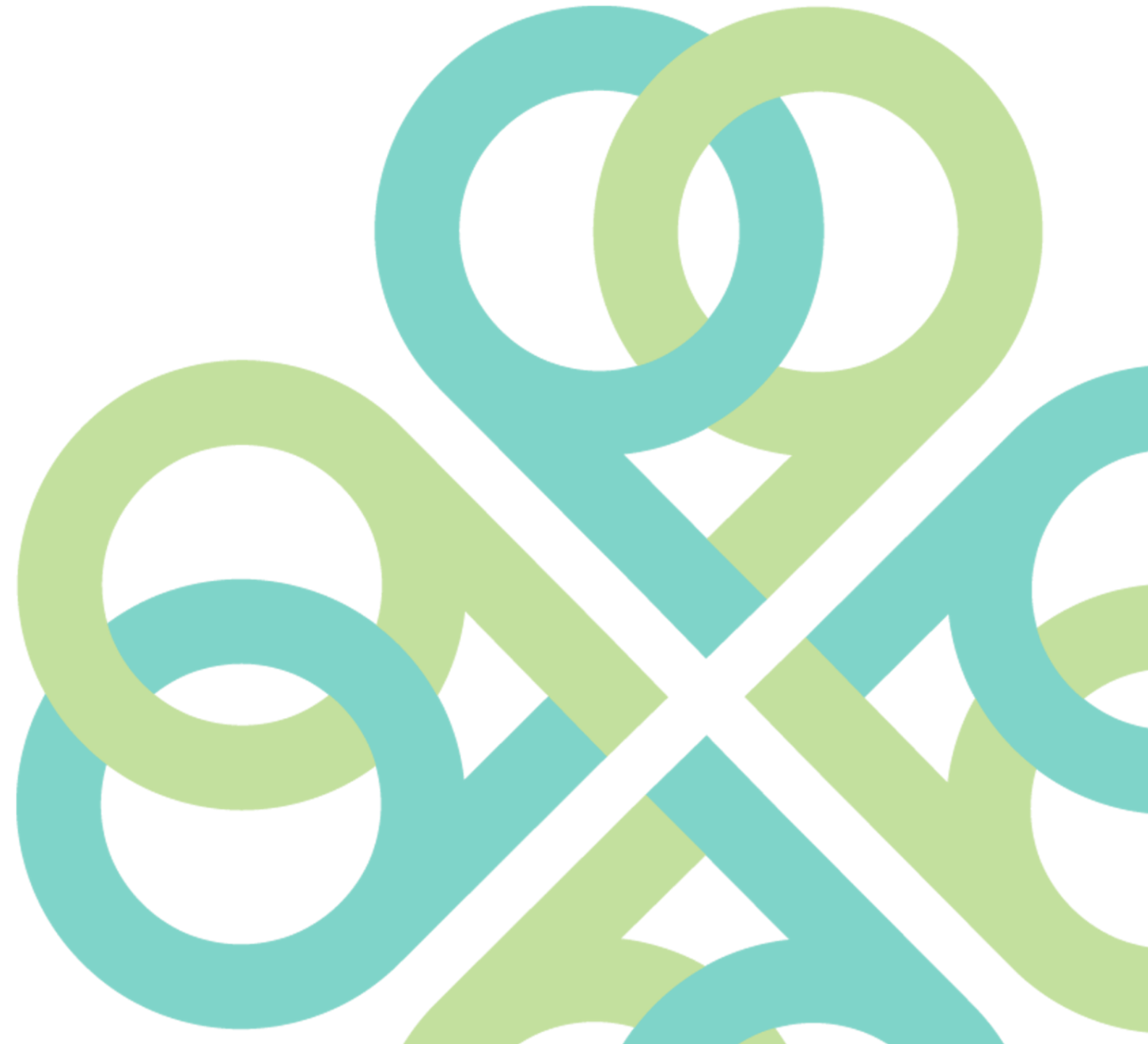


Working with Plaza



Resources

Introduction To Reverse Mortgages



What is a Reverse Mortgage?



A HECM (Home Equity Conversion Mortgage) is a special type of mortgage that enables **homeowners aged 62 or older to tap into the equity in their home.**



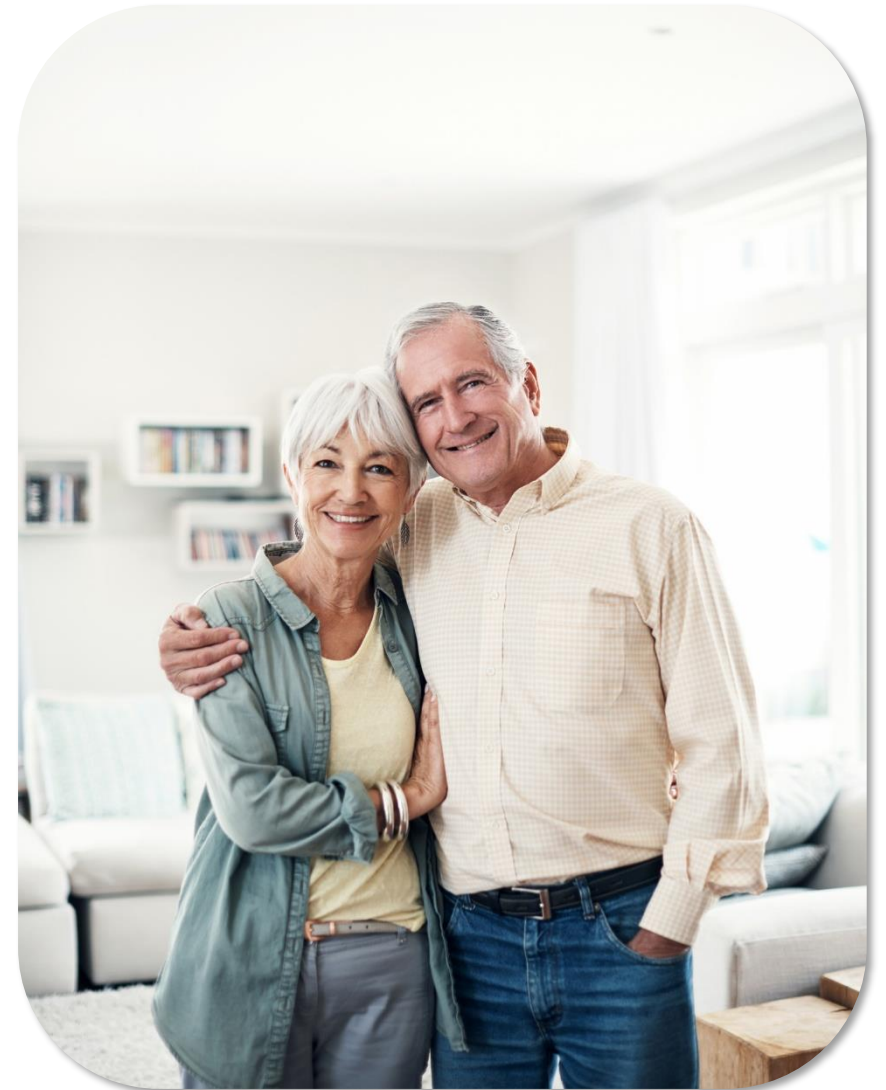
Unlike traditional home loans, no repayment of the HECM loan is required until the borrower no longer occupies the home as their principal residence.



At that time, the lender will declare the mortgage due and payable.



What is borrowed plus interest is due to the lender, any remaining equity remains with the estate.



Benefits of a Reverse Mortgage

A graphic on the left side of the slide consisting of three concentric semi-circles. The outermost semi-circle is grey, the middle one is a medium green, and the innermost one is a dark green. They are all aligned to the right, creating a layered effect.

No monthly mortgage payment! – #1 reason borrowers get a reverse mortgage.

A senior can now leverage their crucial cash retirement assets or buy “up” vs. paying cash as now they can finance a large portion of the transaction.

A reverse mortgage is the only home financing program specifically designed for retirement.

Loan Maturity – Loan Becomes Due and Payable



When Does the Loan Mature?

- No longer occupy the residence (death, move out)
- Failure to maintain property Taxes / Hazard Insurance
- Failure to Reside in Subject for 12 months
- Convey Title to someone else
- General maintenance on the property
- Sells the home

What Are the Family's Options?

1. Sell the home, satisfy the Reverse Mortgage, and retain remaining equity
2. Estate can buy back the home at 95% of the home value at loan maturity
 - Great option if the home is “upside down”
3. Deed In Lieu – Servicer takes responsibility
 - Great option if the family has no interest in the property “upside down”
 - Cash for Keys...up to 3,000 (vacate within six months)

Non-Recourse Loan!

Borrower / Estate will never owe more than the value of the home.

Why Use Reverse Mortgage as a Purchasing Tool?



Why Use Reverse Mortgage as a Purchasing Tool?



No mortgage payment!
(taxes and insurance payments
are required and must be
maintained)



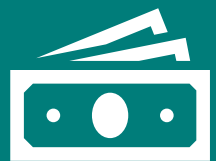
Buy up, get more house than
paying cash, increase your
borrower's purchasing power



Long term security with a safety
net (no monthly mortgage
payment required)



Increase the longevity of
retirement funds



Leverage crucial retirement
cash liquidity



Great for relocating,
downsizing/upsizing

Access to New Markets

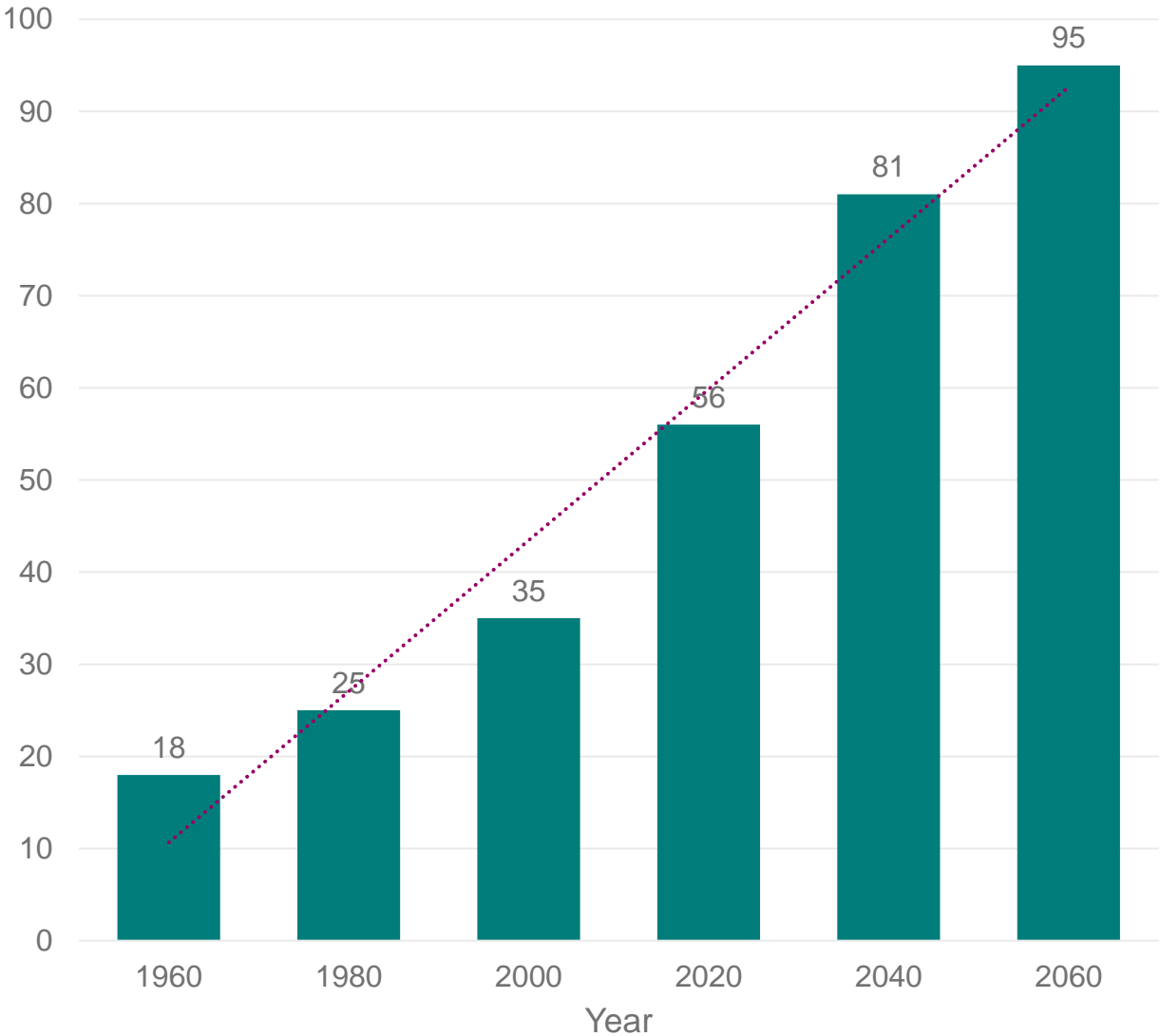


- ❖ Bring something new to your real-estate agents!
- ❖ 10,000 baby boomers turn 62 every day!
- ❖ Seniors want to “age in place” (stay at home).
- ❖ Market is tremendously underutilized; reverse community slow to connect to real estate agents.

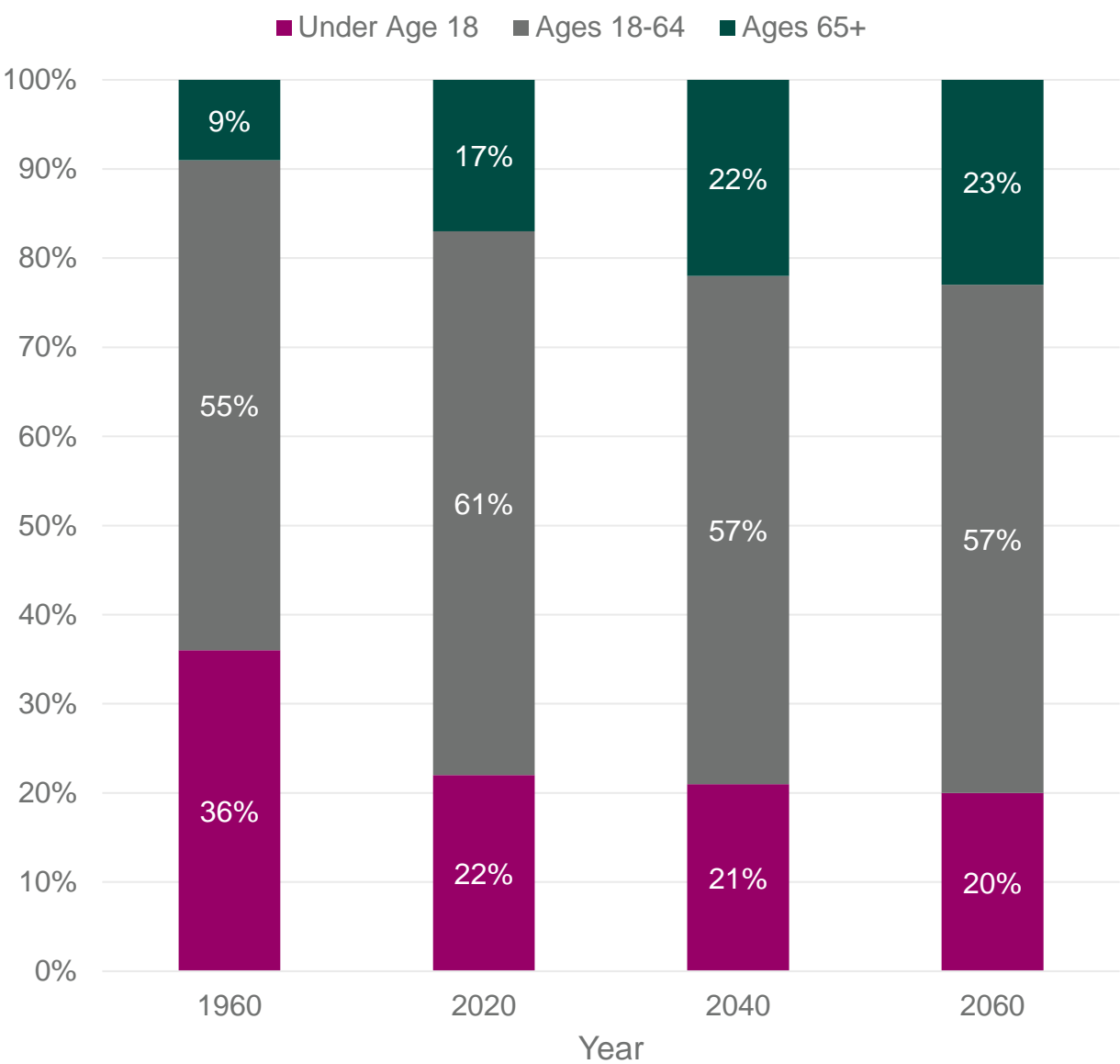
Aging U.S. Population



Number Americans 65 and Older
(in millions)



Percent of U.S. Population
in Selected Age Groups



Source: United States Census Bureau

Basic Guidelines



Property



- SFRs, PUDs, and FHA approved condos
- 1-4 units are allowed, one of the units must be owner occupied
- No log, dome, farm, etc.
- No second homes or investment properties
- New construction – Certificate of Occupancy (CO) must be issued prior to Docs!
- Any repairs must be satisfied by the seller prior to closing
- Home inspection is not required
- Manufactured housing is allowed, must be taxed as real property
 - No new construction (manufactured housing)



New Construction Important Notes



- Case Number can now be ordered prior to the month of the CO being issued
- Appraisal cannot be ordered until AFTER the case number has been issued
- **Appraisal must be written “as is.”**
- Appraisals written as “subject to” are ineligible



Credit Guidelines



- No credit score criteria
- Bankruptcy – 2 years from a Chapter 7 / 13 – discharge date to case assignment
- Major delinquencies (Short Sale, Deed in Lieu or Foreclosure)
 - 2 Years Seasoning from lien satisfaction to case assignment date
 - FHA mortgage would require 3 years seasoning
- Financial Assessment - Full Doc Underwrite
 - Financial Assessment / Credit Criteria
 - Primarily - 2 Year look back
 - Bad credit won't disqualify, but may require a tax / insurance account (Life Expectancy Set Aside)
 - **Life Expectancy Set Aside (LESA) drastically increases necessary funds to come in with.**
 - **No partial LESA on a Purchase Transaction (Full Only)**

Example with LESA

Home Equity Conversion Mortgage (HECM) Program Amortization Schedule – Application

Loan Number:



Borrower: John Purchaser		Estimated Closing Date:	
Youngest Borrower's Birth Date:	09/10/1943	Product Selected:	Line of Credit
Estimated Home Value:	550,000.00	Initial / Expected Interest Rate:	4.545% 4.890%
Maximum Claim Amount:	550,000.00	Appreciation:	4.00%
Initial Principal Limit:	274,450.00	Ongoing Mortgage Insurance (MIP)	0.5%
Cash From Borrower	342,523.97	Monthly Servicing Fee:	0.00
Cash To Borrower:	207,476.03	Monthly Payment:	0.00
Lien Payoffs with Reverse Mortgage:	0.00	Initial Line of Credit:	27,445.00
Financed Closing Costs:	20,183.00	Repair Set Aside:	0.00
1 st Year Life Expectancy Set Aside:	4,400.00	Net Life Expectancy Set Aside:	42,390.97
Lender Credit	(0.00)	Beginning Mortgage Balance:	227,659.03

NOTE: Actual interest and property value projections may vary from amounts shown. Available credit will be less than projected if funds withdrawn from line-of-credit. Actual Life Expectancy Set-aside payments may increase or decrease from the amounts shown based on changes to the property charge costs. The Actual Life Expectancy Set-aside Balance may vary depending on the age of the youngest borrower, the interest rate and changes to the property charge costs. The projections are for illustrative purposes only.

Year	Age	Remaining Line of Credit	LESA Payment	Cash Advance	Service Fee	Interest + MIP	LESA Balance	Loan Balance	Home Value	Remaining Equity
0	75	0	0	0	0	0	46,791	227,659	550,000	322,341
1	76	0	4,400	0	0	12,639	44,916	244,698	572,000	327,302
2	77	0	4,400	0	0	13,580	42,938	262,677	594,880	332,203
3	78	0	4,400	0	0	14,573	40,850	281,651	618,675	337,024
4	79	0	4,400	0	0	15,622	38,648	301,672	643,422	341,750
5	80	0	4,400	0	0	16,728	36,323	322,800	669,159	346,359
6	81	0	4,400	0	0	17,895	33,870	345,096	695,925	350,830
7	82	0	4,400	0	0	19,127	31,281	368,623	723,762	355,140
8	83	0	4,400	0	0	20,427	28,550	393,450	752,713	359,263
9	84	0	4,400	0	0	21,799	25,667	419,648	782,821	363,173
10	85	0	4,400	0	0	23,246	22,625	447,295	814,134	366,840
11	86	0	4,400	0	0	24,774	19,415	476,468	846,700	370,231
12	87	0	4,400	0	0	26,386	16,028	507,254	880,568	373,314
13	88	0	4,400	0	0	28,087	12,454	539,741	915,790	376,050
14	89	0	4,400	0	0	29,882	8,682	574,022	952,422	378,400
15	90	0	4,400	0	0	31,776	4,702	610,198	990,519	380,321
16	91	0	4,400	0	0	33,774	502	648,372	1,030,140	381,768
17	92	0	515	0	0	35,838	0	684,725	1,071,345	386,620
18	93	0	0	0	0	37,832	0	722,557	1,114,199	391,642
19	94	0	0	0	0	39,923	0	762,480	1,158,767	396,287
20	95	0	0	0	0	42,128	0	804,608	1,205,118	400,510
21	96	0	0	0	0	44,456	0	849,064	1,253,322	404,258
22	97	0	0	0	0	46,912	0	895,976	1,303,455	407,479
23	98	0	0	0	0	49,504	0	945,480	1,355,594	410,113
24	99	0	0	0	0	52,239	0	997,720	1,409,817	412,097
25	100	0	0	0	0	55,126	0	1,052,846	1,466,210	413,364

Funds

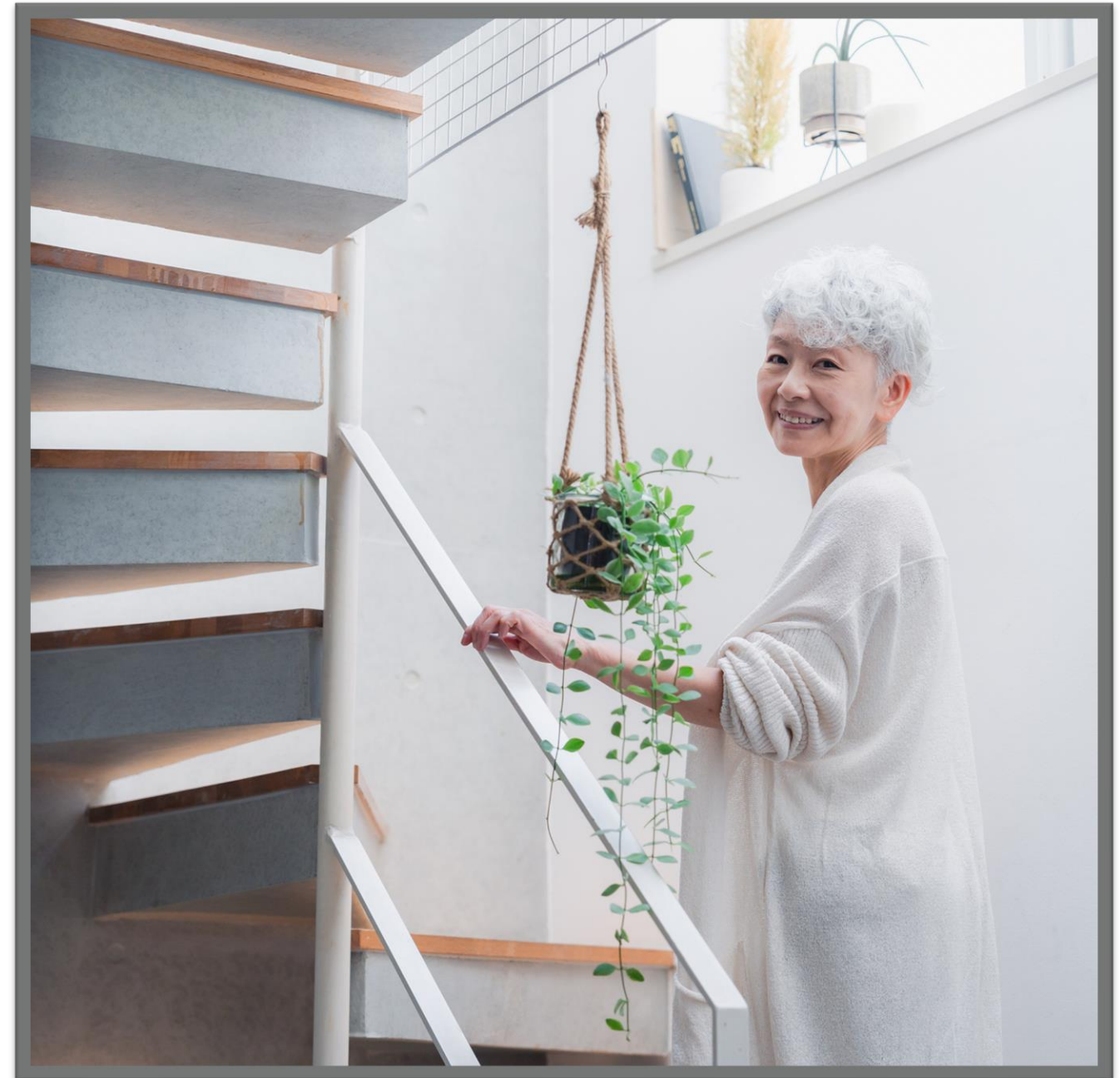


- No borrowed funds to get our loan (business, bridge, mortgage, retirement account, credit card, etc.).
- Proceeds from the sale of a business, real-estate, etc. are allowed. Paper trail must be documented.
- All funds must be seasoned for 60 days, large deposits sourced.
- Mattress money, cashier's checks, etc. will not be allowed.

Real Estate Owned



- Borrowers may keep existing Real Estate Owned
 - 3 max = 2 REO plus HECM subject
- Rental income must be on tax returns to be used or Appraisal with rental addendum.
- Borrowers will sign Verification of Occupancy and, in some instances, a Letter of Intent
- Must occupy the residence within 60 days or default under the terms of the mortgage and foreclosure proceedings can begin



Credits are Allowed!



- Contributions up to 6% towards the borrower's Origination Fees (closing costs)
 - Origination Fees
 - Credit
 - Appraisal
 - MIP
 - Prepaid items
- The 6% credit cannot exceed the total closing costs
 - Principal Limit reduction is not allowed
- Gift funds are allowed
 - They must be sourced

Concessions



Broker and Lender concessions are prohibited

- Broker/Lender cannot provide ANY interested party contributions
- Premium pricing cannot be used as a funding source or as an exception to interested party contributions
- Discount points are not allowed
- Rate buydown is not allowed

Only these parties may provide a credit towards closing costs up to 6% of the sales price:

- Sellers
- Real Estate Agents
- Builders
- Developers
- Other parties that are not the Broker/Lender



No Bridge Loans / Gap Financing



Per FHA guidelines, HECM borrowers may not obtain a bridge loan (also known as “gap financing”) or engage in other interim financing methods to meet the monetary investment requirement or payment of closing costs needed to complete the purchase transaction.

This restriction includes, but is not limited to:

- Subordinate liens
- Personal loans
- Cash withdrawals from credit cards
- Seller financing
- Any other lending commitment that cannot be paid off (satisfied) at closing

New Construction Can Be Tricky



- **What you can do to get your loan moving:**

- Purchase Agreement
- Counseling
- Application / Disclosures
- Request Case Number
- Submit your loan to Plaza Underwriting:
 - Need all Credit & Income, Title, etc.
 - Let's get that Conditional Approval!

- **What we cannot do:**

- Cannot order your appraisal until the work will be considered "As Is."
- Appraisal must meet minimum FHA guidelines

Expectations with your builder:

- Clearly this is different than conventional financing with builder business.

- **We are with you!**

- Plaza prioritizes purchase transactions
- Once that CO is issued, we get the appraisal ordered!
- LET'S CLOSE!!!

Most Common Pitfalls

1. Funds are not sourced properly with a clean paper trail
 - 60 days unless from the sale of another property, business, etc.
2. Customary Title Fees may now be shared by buyer and seller
3. Solar “lease” in contract. Is it easily transferable?
4. New Construction can be tricky!
5. Closing agent cannot generate a HUD1 -
#1 Pitfall
6. **Title / Closing agent do not disclose fees correctly**



**Working With Plaza Home
Mortgage, Inc.**



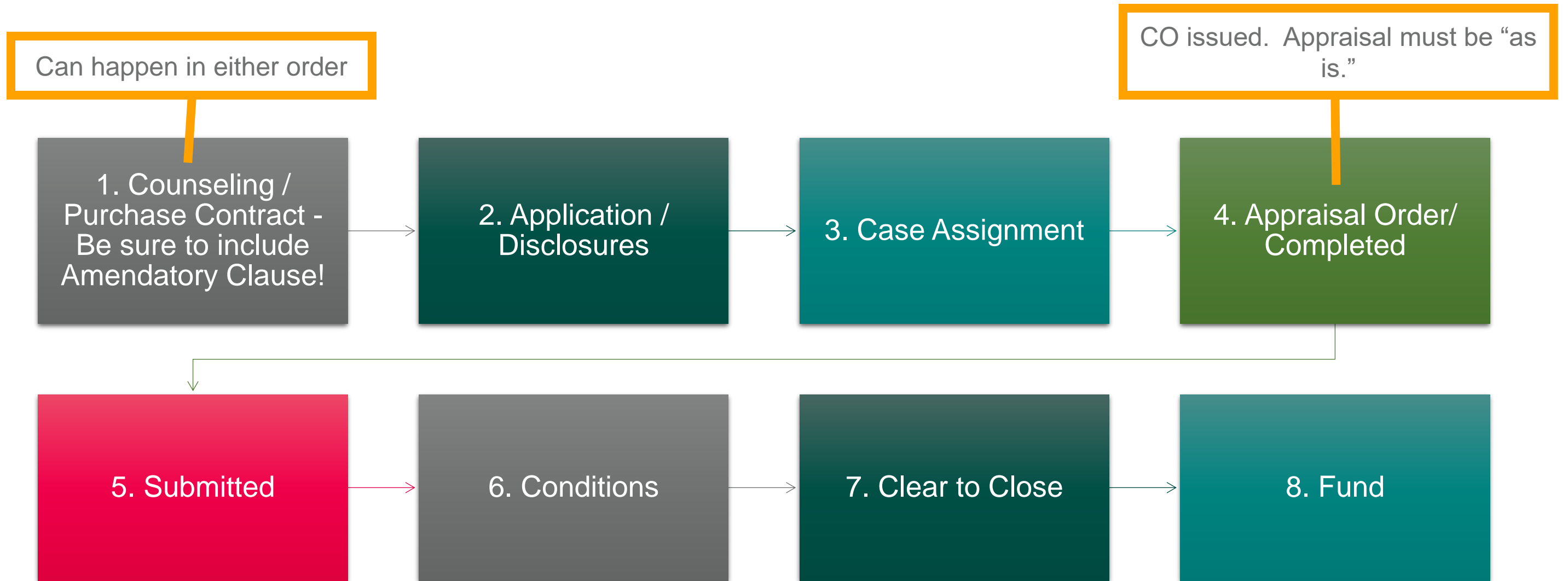
Plaza Reverse Division



- If you are an already approved broker/correspondent, you are approved for Reverse!
- We have the “forward originator” in mind
- Dedicated staff and operations just for this niche product
- Your AE is still available to support you / manage us
- Our highly experienced reverse team does the heavy lifting:
 - Counseling packages, applications, disclosures, TIL, GFE, etc.
 - Great Team of Dedicated Sales Assistants to work with



Origination Procedure for a Purchase Reverse



Check turn times to insure a smooth closing expectation for all parties. **This order is crucial!**

Bay Docs HECM Loan Summary



HECM for Purchase Loan Summary

Max Claim Amount:	\$650,000.00
In calculation the Principal Limit, FHA guidelines require lenders to use the lesser of the FHA Lending Limit (\$726,525), the appraised value or the purchase price.	
Loan Principal Limit:	\$406,250.00
The amount of money the lender will finance	
Loan to Value (LTV)	62.50%
Closing Costs:	\$19,478.00
Total Funds to Close:	\$263,228.00
(Including Closing Costs)	

Some Unique Reverse Mortgage Purchase Guidelines to be Aware of:

- Funds must be seasoned for 90 days unless from the sale of another property, business, etc.
 - Clean paper trail, all pages
- No loan to secure a HECM loan is allowed
- Any repairs must be satisfied by the seller
- No Concessions are allowed:
 - No Buyer, No Seller
 - No Lender, No Broker
 - No Real Estate Agent (buyer or seller)
 - No concessions from any party in the transaction
 - No carry back financing
 - No gift of equity
- Seller can pay fees required or customarily paid by the seller under state or local law, if validated by the Title Company

Your next step in this process is to schedule your actual counseling session so that we may continue with your application. Your counseling documents can be accessed by your counselor at the following location:

WEB SITE NAME:

<https://www.baydocs.net/CounselingDocs.php>

ACCESS CODE:

Bay Docs Down Payment Figures



YOUR INFORMATION

Borrower Name	John Sample	Co-Borrower Name	
Borrower Birthdate	September 01, 1935	Co-Borrower Birthdate	
Borrower Age	84	Co-Borrower Age	
Property Street	12345 Main St	Property City	San Diego
Property State	CA	Property Zip Code	92121
Estimated Closing Date			

LOAN INFORMATION

	Annual Adjustable	HECM Fixed
	Line of Credit	Lump Sum
Payment Plan Type		
Index Rate	2.787	5.375
Margin	1.500	0.00
Initial Interest Rate	4.287	5.375
Expected Rate	4.060	5.375
Interest Rate Cap	9.287	5.375
Annual MIP	0.5%	0.5%
Credit Line Growth Rate	4.787%	5.875%
Estimated Home Value	650,000.00	650,000.00
FHA Maximum Claim	650,000.00	650,000.00
Loan to Value	62.50%	56.20%
Monthly Servicing Fee	0.00	0.00

BENEFIT CALCULATION

Principal Limit/Gross Benefit	406,250.00	365,300.00
Mandatory Obligations:		
Origination Fee	2,500.00	0.00
Mortgage Insurance	13,000.00	13,000.00
Other Closing Costs	3,978.00	3,978.00
Lender Credit	0.00	0.00
Debt Payoff	0.00	0.00
Set Asides:		
Servicing Fee Set Aside	0.00	0.00
Repair Set Aside	\$0.00	\$0.00
Tax and Insurance Set Aside	\$0.00	\$0.00
Total Mandatory Obligations	406,250.00	365,300.00
% of MO to Principal Limit	100.00%	100.00%
Access Additional 10%	No	Yes
1st Yr Max Distribution Limit	406,250.00	365,300.00
Purchase Price	650,000.00	650,000.00
Initial Draw from HECM	386,772.00	348,322.00
Earnest Deposit:	0.00	0.00
Cash From Borrower:	263,228.00	301,678.00
Term	Tenure	Tenure

How Will This Help My Business?



This will help you get that much needed meeting with your real estate agents

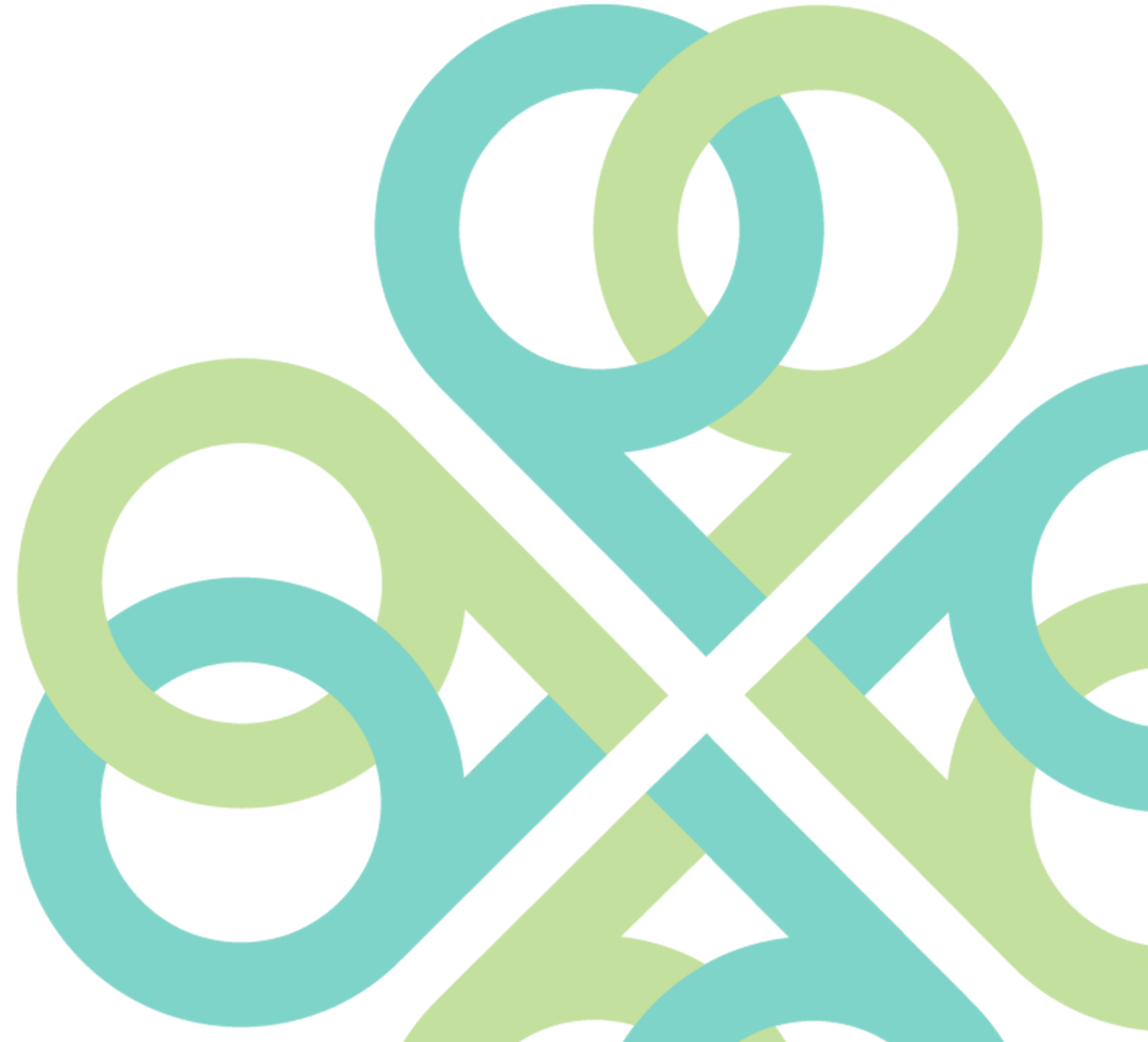
Separate yourself with a new program that has strong market acceptance, but is still largely misunderstood by the real estate community

Use our resources to build a quick 15 to 20-minute presentation

This is a great vehicle to get you in the room and of course sell your other services


Do not be surprised if you pick up a real estate agent for a HECM finance before you leave!

Resources




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Why Choose Plaza?

[Here's Why](#)



Plaza's Reverse Mortgage Website



Serving Reverse mortgage clients since 2008 and still going strong!



Click Here to Get Started!



Reverse Mortgage Pre-Qual

Quote Calculator



Reverse Processing



Forms



Program & Guidelines



- Bay Docs - Reverse Mortgage Software
- Counseling Information
- Reverse Market News

Marketing Materials

Training Center

Suggested Resources





HECMWORLD.COM

Reverse mortgage news, commentary, and analysis for serious reverse mortgage professionals

FREE Weekly Content: No Paywall!

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Weekly videos, podcasts, and blog articles

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First Name*

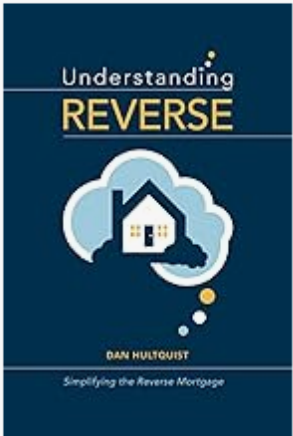
Last Name

Email*

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Suggested Resources



Understanding Reverse: Simplifying the Reverse Mortgage

by Dan Hultquist | Feb 1, 2024

★★★★★ 13

Paperback

\$16⁹⁵

✓prime

FREE delivery **Sat, Jan 18** on \$35 of items shipped by Amazon

Or fastest delivery **Wed, Jan 15**

More Buying Choices

\$15.70 (6+ used & new offers)

Kindle

\$9⁹⁹ Print List Price: \$16.95

Reverse Mortgages: How to use Reverse Mortgages to Secure Your Retirement (The Retirement Researcher Guide Series)

Part of: The Retirement Researcher Guide Series (4 books) | by Wade D. Pfau Ph.D. | Feb 24, 2022

★★★★★ 209

Paperback

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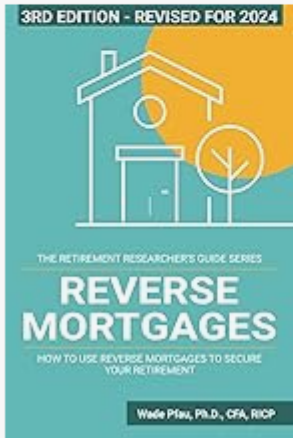
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Don't Miss Our Other Reverse Trainings!

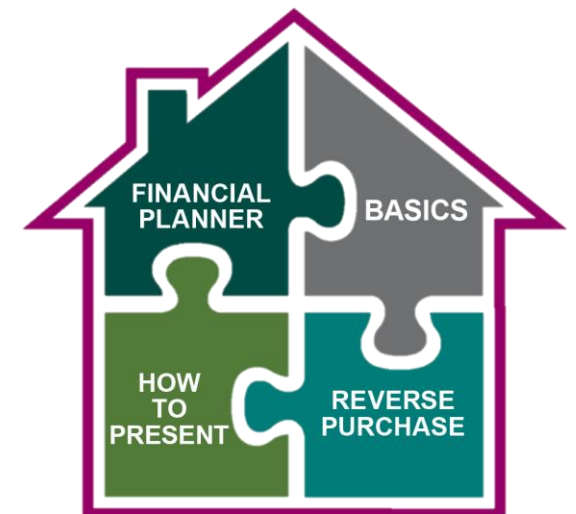


Click the links below to view the webinar recordings for our other trainings:

- [Plaza's Reverse Mortgage PreQual Borrower Counseling Package](#)
- [Reverse Mortgage Basics](#)
- [How to Use the Reverse Mortgage to Purchase a Home](#)
- [How to Present a Reverse Mortgage: The "Kitchen Table" Approach](#)
- [Originating a Reverse Mortgage with Plaza: File Flow from Start to Finish](#)
- [Financial Planners Guide to Reverse Mortgages](#)
- [The Impact of a Rising Rate Environment on Reverse Mortgages and Their Loan Amounts](#)
- [What is the Reverse Mortgage LESA?](#)

Upcoming Webinars: plazahomemortgage.com/calendar

Recorded Webinars: plazahomemortgage.com/training



Thank You for Attending!



Webinar recording, slide deck, and other resources will be emailed to you within the next 24 hours. Check your junk/spam folder if you do not receive the email.

Please let us know your thoughts on the survey form when you exit the webinar. We value your feedback!

If you have any questions or comments, please feel free to contact your Plaza Account Executive or mark.reeve@plazahomemortgage.com.