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[†]Please consult with your tax advisor. [†]Borrower must continue to pay for property taxes, homeowner's insurance and home maintenance. ^{*}Required as part of loan. These materials are not from HUD or FHA and were not approved by HUD or a government agency.



Reverse Mortgage

FOR PURCHASE

A guide for home buyers.

What is a HECM reverse mortgage?

Home Equity Conversion Mortgages (HECMs), also known as reverse mortgage loans, were created over 25 years ago to help Americans age 62 and older convert a portion of their home equity into tax-free money.[†] HECM reverse mortgages are insured by the Federal Housing Administration (FHA) and allow seniors to age in place and achieve retirement security.

How does it work?

A HECM for Purchase loan combines a reverse mortgage with the equity from the sale of your previous home - or from other savings and assets - to buy your next primary home in a single transaction. Regardless of how long you live in the home or what happens to your home's value, you only make one down payment toward the purchase.

How much could I qualify for?

The loan amount is based on the age of the youngest borrower, prevailing interest rates, and the value of the home you wish to purchase.

5 REVERSE MORTGAGE FACTS

1 The homeowner retains the title and ownership during the life of the loan and can sell the home at any time.

2 The loan will not become due during the homeowner's lifetime as long as the homeowner continues to meet loan obligations such as living in the home, maintaining the home according to FHA requirements, and paying property taxes and homeowners insurance.

3 HECM reverse mortgage proceeds are tax-free and are not considered income.[†]

4 There are no restrictions on how the funds can be used. You can use HECM reverse mortgage proceeds to pay off an existing mortgage, make home improvements, or even use it as a growing investment.

Recent HECM program changes

How do recent program changes benefit me?

Recent HECM program guidelines were put in place by the United States Department of Housing and Urban Development (HUD) to protect borrowers and further strengthen the HECM reverse mortgage mortgage loan program.

1

Financial Assessment

HUD now requires a more thorough evaluation of a borrower's ability to meet the obligations of his/her HECM reverse mortgage loan.

2

Non-borrowing Spouse

New loan amounts are available to borrowers with a non-borrowing spouse under the age of 62. **New rules also allow the eligible spouses of borrowers who pass away to stay in the home without foreclosure.** (The surviving eligible spouse must continue to comply with all loan terms[†]).

3

More Affordable

Upfront **mortgage insurance premiums (MIPs) have been lowered** by the FHA. As long as you take no more than 60 percent of your proceeds in the first year, you will be charged an upfront MIP of 0.5 percent of the appraised value of the home. If you cross the 60 percent threshold, the upfront MIP will be 2.5 percent *(on a \$200,000 home, 2.5% is \$5,000 vs. \$1,000 for 0.5%)*.

Example number 3

Savings

You have \$200,000 in savings ready to purchase a new home.

\$200,000

Purchase New Home

You find a NEW home for \$350,000.

Use \$200,000 as a down payment.

Use \$150,000 from a HECM for Purchase to complete new home purchase.



\$200,000	DOWN PAYMENT
+ \$150,000	HECM TO COMPLETE PURCHASE
= \$350,000	NEW HOME PURCHASE PRICE

**Have a new home and
no monthly mortgage
payment[‡].**

How do I qualify?

Qualifications for a HECM for Purchase reverse mortgage are based on these important factors:

1. You must be age 62 years old or older

(a non-borrowing spouse may be under age 62)

2. Your new home must be your primary residence

(borrowers must occupy property within 60 days of closing)

3. You must have sufficient down payment to purchase the new home

Reverse mortgage for purchase benefits include:

- ✓ No monthly mortgage payments[‡]
- ✓ Increase your purchasing power
- ✓ Contribute toward the down payment on the home purchase
- ✓ Rightsize to a lower-maintenance home
- ✓ Buy a home closer to family and friends
- ✓ Lower your cost of living during retirement



mortgage loan
x-free and are not

strictions as to how the
used. Many borrowers
mortgage funds to pay
e*, eliminate monthly
pay off other debts,
ents and repairs or
g line of credit.

5 Many affluent senior borrowers with multi-million dollar homes and healthy retirement assets are using HECM reverse mortgage loans as part of their financial and estate planning, and are working closely with financial professionals and estate attorneys to enhance the overall quality and enjoyment of life.

Have questions? Your reverse mortgage professional is here to help!

[Example number 1]

Sell Your Home

You sell your existing home for \$500,000.

Pay off \$200,000 mortgage = \$300,000 cash.

$$\begin{array}{rcc} \$500,000 & - & \$200,000 = \$300,000 \\ \text{SELL HOME} & & \text{PAY OFF LOAN} \quad \text{CASH} \end{array}$$

Purchase New Home

You find a NEW home for \$350,000.

Use \$200,000 as a down payment.

Use \$150,000 from a HECM for Purchase to complete new home purchase.

$$\begin{array}{rcl} \$200,000 & \text{DOWN} & \\ & \text{PAYMENT} & \\ + & \$150,000 & \text{HECM TO} \\ & & \text{COMPLETE} \\ & & \text{PURCHASE} \\ = & \$350,000 & \text{NEW HOME} \\ & & \text{PURCHASE} \\ & & \text{PRICE} \end{array}$$

Have \$100,000 at your disposal and no monthly mortgage payment[‡].

[Example number 2]

Sell Your Home

You sell your existing, fully-paid off home for \$500,000.

$$\$500,000$$

Purchase New Home

You find a NEW home for \$350,000.

Use \$200,000 as a down payment.

Use \$150,000 from a HECM for Purchase to complete new home purchase.

$$\begin{array}{rcl} \$200,000 & \text{DOWN} & \\ & \text{PAYMENT} & \\ + & \$150,000 & \text{HECM TO} \\ & & \text{COMPLETE} \\ & & \text{PURCHASE} \\ = & \$350,000 & \text{NEW HOME} \\ & & \text{PURCHASE} \\ & & \text{PRICE} \end{array}$$

Have \$300,000 at your disposal and no monthly mortgage payment[‡].

