

# HECM FOR PURCHASE\*: FEES AND IMPORTANT INFORMATION

## Closing Costs – Buyer/Seller Responsibilities

The seller **can** pay for some of the buyer's fees, including home warranties, inspections, transfer tax, etc. title must verify that the seller-paid fees are reasonable and customary for that subject market area.

### Allowable Fees

- Costs associated with the HECM (Home Equity Conversion Mortgage) for Purchase (H4P) must be paid by buyer taxes and HOA fees must be prorated
- There is no interim interest or escrow pad allowed. There are no impounds seller and buyer can split the escrow costs
- Seller can pay the transactions costs (e.g., transfer tax, real estate commissions, title search, etc.), which are typically paid by the seller in a stable market
- Sellers can now pay for the home warranty
- Sellers can also pay for owner's title policy (not lender's policy) if the title company confirms that is a customary fee paid for by the seller in the subject market area

## Seller Concessions

Seller concessions up to 6% of the purchase price are now allowed with the H4P to assist buyers with their purchase. This allocation can cover a range of expenses including origination fees, closing costs (such as credit reports and appraisals), prepaid items, and the initial payment for Mortgage Insurance Premium (MIP).

## Certificate of Occupancy

The application can be signed and submitted **prior** to the issuance of the CO.

## Important Information

- FHA does not allow for 90-day flipping on an H4P
- Personal property is not allowed to convey in the purchase transaction unless the items are appliances (fridge, stove, permanently affixed microwave, dishwasher, washing machine, clothes dryer) and items that are confirmed by appraiser or listing agent as permanently affixed and thus removal would cause damage. If personal property (not appliances or permanently affixed items) must convey through the sale, then we will require a 3rd party valuation and a fully executed addendum to the purchase contract that reduces the purchase price by the confirmed 3rd party valuation amount

## Call Today for More Information



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 Equal Housing Lender

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## Other Tips

- The FHA Amendatory Clause and Real Estate Cert must be executed by all parties prior to the note date
- Financing should reference "FHA/HECM"
- The borrower should not use a credit card or any other form of borrowed funds for the EMD
- Transfer taxes are based on the face value of the deed (1.5 x max claim amount)
- The H4P does not abide by TRID rules, therefore a closing disclosure **is not acceptable** for H4P transactions. A HUD-1 must be provided at closing for all HECM loans

## Docs

- When loan documents are ordered, lender's instructions will be sent to signing agent. The HUD will need to be sent back to the doc dept. for approval. Once they have approved your HUD and released docs, **NO fees can change at funding without creating a re-draw**
- Loan documents are date sensitive and must be signed on the date printed on the docs. If for some reason the signing does not take place, new documents will have to be requested
- Purchase contracts where the seller is a builder or entity must provide documentation to show the signors on the contract have authorization to act on behalf of that builder or entity

## Wet Purchase State:

- All closing funds must be received by Escrow prior to release of loan documents
- Wire instructions must be provided at time of docs
- Closing appointment preferred to be set for afternoon signings

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## H4P Tips Continued – 90 Restrictions

The property must not have transferred in the 90 days prior to the date of the real estate purchase contract (subject to exceptions as outlined in [Property Flipping \(Seasoning\)](#)).

To be eligible for FHA financing, any re-sale of a property may not occur 90 or fewer days from the last sale date of the property. FHA defines the seller's date of acquisition as the date of settlement on the seller's purchase of that property. The resale date is the date of execution of the sales contract by the buyer that will result in a mortgage to be insured by FHA.

### [Exceptions to 90-day Restriction](#)

The following sales are exempt from the time restrictions:

- Sales by HUD of its Real Estate Owned
- Sales by other United States Government agencies of single-family properties pursuant to programs operated by these agencies.
- Sales of properties by nonprofits approved to purchase HUD-owned single-family properties at a discount with resale restrictions.
- Sales of properties that are acquired by the sellers by inheritance.
- Sales of properties purchased by employers or relocation agencies in connection with relocations of employees.
- Sales of properties by state and federally chartered financial institutions and Government Sponsored Enterprises.
- Sales of properties by local and state government agencies.
- Upon FHA's announcement of eligibility in a notice, sales of properties located in areas designated by the President as federal disaster areas, will be exempt from the restrictions of the property-flipping rule. The notice will specify how long the exception will be in effect and the specific disaster area affected.

If the resale date is between 91 and 180-days following acquisition by the seller, the lender is required to obtain a second appraisal from another appraiser if the resale price is 100 percent or more over the price paid by the seller when the property was acquired. If the Lender suspects the senior has become a victim to a Property Flipping scam, the Processing and Underwriting Division of the local HOC should be contacted.