

H4P: 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 loan (e.g., origination fee, IMIP, etc.) must be paid by the 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.

Certificate of Occupancy

The application can be signed and submitted prior to the issuance of the CO. However, the appraisal must be dated after CO date and be an existing home not under construction.

Lender concessions and buy downs are not allowed on H4P. These include but are not limited to:

- Seller Credits
- Lender Credits
- Broker Credits
- Discounts
- Builder Incentives
- Loan Discount Points
- Interest Rate Buy Downs
- Closing Cost Down Payment Assistance

Important Information

- The FHA does not allow for 90-day flipping on a HECM for Purchase transaction.
- 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.

Other Tips

- The FHA Amendatory Clause and Real Estate Cert must be executed by all parties prior to the appraisal effective 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 HECM 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 the 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 contact have authorization to act on behalf of that Builder or Entity.

Wet Purchase State:

- All closing funds must be received by Escrow prior to the release of Loan Documents
- Wire Instructions must be provided at the time of docs
- Closing Appointment preferred to be set for afternoon signings

Choosing a Title Company

HECM and HECM for Purchase (H4P) loans require expertise from the title company that not all title companies have.

In order to ensure a smooth closing, we have an approved vendor list.

Before presenting an offer, please send us the contact information for the title company (including address) that the borrower plans to use and we will confirm they are on our approved vendor list.

If they are not, we can contact them, collect the necessary information and, hopefully, get them added to our list within 24 hours.

We recommend choosing a title company with extensive and recent experience in the H4P realm, including access to the software to produce a bona fide HUD-1.

The HECM (H4) does not accept TRID.

There are other title-related differences that the title company will need to be aware of in order to have a smooth transaction for all. We apologize if this creates any additional work.

Important Contacts:

(Please copy all three on all correspondence throughout transaction)

Mary Jo Lafaye

Loan Officer

650-440-8934

mlafaye@mutualmortgage.com

Christina Rosellini

Assistant to Mary Jo

415-250-9863

croellini@mutualmortgage.com

Stacey Beehler

Transaction Coordinator

602-502-5778

sbeehler@mutualmortgage.com

ORDER OF STEPS TO HECM HOMEOWNERSHIP

In order to close your loan in 30 days* from the day we receive your loan application package in our office, the following steps must be taken:

2 weeks before presenting your offer:

1. Request updated HECM Proposal from Mary Jo and Christina
2. Set up HECM counseling session with counseling agency listed in the proposal packet we gave you. Certificate is good for 6 months. This can take a few weeks to get done so call ahead for a convenient time.
3. Have counseling certificate emailed to Mary Jo:
mlafaye@mutualmortgage.com
4. Financial assessment. Send list of documents needed to Christina:
crosellini@mutualmortgage.com
5. Christina will get you underwritten as a borrower and provide a preapproval letter.

1 week before presenting your offer:

6. Send us contact info for the title company you want to use so we can verify they are on our approved vendor list.
7. Send us updated bank/investment account statements if your preapproval letter is more than 30 days old so that we can update it for you.
8. Select property and make your offer.

As soon as your offer is accepted:

1. Send us the **ratified** sales contract and fully-executed addendum and we will print and Fedex the HECM loan application to you. Please include all contact information for **all** real estate agents involved in the transaction.

As soon as we receive and upload the application, the appraisal will be ordered. Closing will occur within 30 days* of completed application package and all documentation arriving in our office. Get keys. Move in. Invite me over so I can bring you some champagne and bon bons!!!

We look forward to getting you the home of your dreams without you ever having to make a monthly mortgage payment!

*closings occur approximately 10-15 days after appraisal is received by lender.
If the appraisal is delayed, the closing could be delayed, as with any loan.

FHA DISCLOSURES

AMENDATORY CLAUSE / REAL ESTATE CERTIFICATION

Buyer(s) _____

Date of Agreement: _____

Seller(s) _____

File No.: _____

Property Address : _____

FHA AMENDATORY CLAUSE

It is expressly agreed that notwithstanding any other provisions of this contract, the purchaser shall not be obligated to complete the purchase of the property described herein or to incur any penalty by forfeiture of earnest money deposits or otherwise unless the purchaser has been given in accordance with HUD/FHA or VA requirements a written statement by the Federal Housing Commissioner, Department of Veterans Affairs, or a Direct Endorsement lender setting forth the appraised value of the property of not less than \$ _____. The purchaser shall have the privilege and option of proceeding with consummation of the contract without regard to the amount of the appraised valuation. The appraised valuation is arrived at to determine the maximum mortgage the Department of Housing and Urban Development will insure. HUD does not warrant the value nor the condition of the property. The purchaser should satisfy himself/herself that the price and condition of the property are acceptable.

Borrower Date

Borrower Date

Seller Date

Seller Date

Note: The dollar amount to be inserted in the amendatory clause is the sales price as stated in the contract. If the borrower and seller agree to adjust the sales price in response to an appraised value that is less than the sales price, a new amendatory clause is not required. However, the loan application package must include the original sales contract with the same price as shown on the amendatory clause, along with the revised or amended sales contract.

REAL ESTATE CERTIFICATION

We, the borrower, seller, and the selling real estate agent or broker involved in the sales transaction certify by our signatures below that the terms and conditions of the sales contract are true to the best of our knowledge and belief, and that any other agreement entered into by any of these parties in connection with this real estate transaction is part of, or attached to, the sales agreement.

Borrower Date

Borrower Date

Seller Date

Seller Date

Listing Agent (as applicable) Date

Selling Agent (as applicable) Date

WARNING: Our signatures above indicate that we fully understand that it is a Federal Crime punishable by fine, imprisonment or both to knowingly make any false statements concerning any of the above facts as applicable under the provision of Title 18, United States Code, Section 1012 and 1014.