



NMLS# 71655

Aging in Style: Home Equity Conversion Mortgage (HECM) for Purchase

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A HECM for Purchase allows those 62 and older to purchase a primary residence, there is also a Reverse Mortgage for Purchase product for those 55* and older (*in most states).

Borrowers are realizing the benefits of using a HECM for Purchase and how they can improve their retirement and live a more financially stress-free retirement.

Home Equity Conversion Mortgage (HECM): What is it?

- A loan for homeowners 62+.
- Must apply to the borrower's primary residence.
- Proceeds available determined by age of the youngest borrower, expected interest rate, and property value (2024 HUD national lending limit: \$1,149,825).
- Must be SFR, 2-4 unit, townhome, or an FHA-approved condo or manufactured home.
- Borrower is responsible for paying property taxes, insurance, and any other property charges, as well as upkeep of the property.
- Loan becomes due when borrower sells, no longer maintains the home as a primary residence, or the last remaining borrower passes.
- Reverse Mortgage Jumbo products are available for higher home values (loan amounts up to \$4 million) for homeowners 55* and older.

Borrower safeguards

- Independent HUD counseling is required prior to loan application.
- Financial assessment is required for loan approval (no FICO score or DTI requirements).
- Life Expectancy Set-Aside (LESA).
- Capped interest rates.
- Full disclosure of costs.

Example

Mary (age 75) wants to move and “right size” to a home that is better suited for her.

She currently pays roughly \$1500/mo. for her current mortgage.

She figures she will net about \$375,000 from the sale of the current property and ideally would like to purchase a home outright so she can eliminate the burden of a mortgage payment.

Problem! Mary’s forever dream home that she has fallen in love with is \$500,000. So, her real estate agent introduces her to the option of a HECM for Purchase loan.

Mary’s HECM for Purchase option:

Purchase price of forever dream home: **\$500,000.**

Proceeds from sale: **\$375,000.**

HECM for Purchase down payment: **\$216,966** (assuming buyer is paying all fees).

Remaining proceeds from sale: **\$158,034.**

Realized funds without HECM for Purchase: **\$0.**

Realized funds with HECM for Purchase: **\$158,034.**

**For illustration purposes only.*

- 12,000 people that turn 65 each day*
- 34% of all homeowners are over 60 years old**

Is a HECM right for you? Contact me today to learn more at susan.pomfret@norcom-usa.com or 401-595-7300.

Sources:

*<https://www.cnn.com/2017/10/03/health-care-dilemma-10000-boomers-retiring-each-day.html>

** <https://www.nar.realtor/sites/default/files/documents/2020-generational-trends-report-03-05-2020.pdf>