

HECM Product and Underwriting Guidelines

Loan Parameter	HECM Fixed	Variable Rate HECM
Youngest Borrower Age Eligibility	62 years and above	
Occupancy Allowed	Owner Occupied Primary Residence	
States Allowed	Loans are accepted in all states except IL, UT, VT, MA, NC, and GA.	Loans are accepted in all states except IL, VT, MA, NC, and GA.
Property Type	1-4 Unit, Condos, Manufactured Homes (Single Wides NOT allowed), PUDs Note: <ul style="list-style-type: none"> • Special Interest or pricing for Manufactured Homes and Log Homes may apply • Properties located in Coastal Barrier Resource System are ineligible 	
Counseling Requirement	A. HUD Approved HECM Counselor B. Lender will only proceed to process the initial HECM loan application once the counseling is complete, as evidenced by the signed and dated counseling certificate. C. HUD waives off the requirement for the counseling certificate on HECM Refinance if all of the below mentioned are met: <ol style="list-style-type: none"> 1. The original HECM was assigned a case number on or after 08/04/2014 and the borrower and Non-Borrowing Spouse, if applicable, had received counseling; or where the original HECM was assigned a case number prior to 08/04/2014 and the borrower had received counseling. 2. The time period between the closing of the original HECM loan (which is being refinanced) and the application date for the current refinance loan must not exceed 5 years. 3. The borrower has received the required HUD Anti-Churning disclosure form which must be signed at the time of application. 4. The increase in the borrowers' Principal Limit (as estimated by the lender and provided to the borrower in block #2 of Anti-Churning disclosure form) exceeds the total cost of the refinancing by an amount equal to five times the cost of the transaction (block #1 on Anti-Churning disclosure form) 	

	<p>D. Effective loan applications dated on or after 09.01.2018 (as per the Connecticut Senate Bill No. 150 the effective date is 10.01.2018) the counseling certificate should include the telephone number of the prospective applicant(s) or borrower(s) in the state of Connecticut. The telephone number can be mentioned on the top or bottom portion of the certificate.</p>
Loan Purpose Allowed	<p>Purchase and Refinance Note: HECM Purchase is not allowed in TX</p>
Additional Requirement for Non HECM to HECM Refinance	<p><u>For cases assigned on or after December 15, 2014 till September 18, 2017:</u> As per the guidelines outlined by HUD Mortgagee Letter 2014-21 and Mortgagee Letter 2015-02, in case of Non HECM to HECM refinance loans (i.e. where the borrower is refinancing a Non-HECM loan attached to the subject property with a HECM loan), the following two documents will be required.</p> <ol style="list-style-type: none"> 1) A copy of the HUD-1/ Closing Disclosure (Settlement Statement) for the existing lien attached to the subject property 2) If the existing lien attached to the subject property is a Home Equity Line of Credit (HELOC), then a copy of the most recent HELOC statement or its equivalent. <p>The loan will not meet the guidelines outlined by HUD Mortgagee letter 2014-21 and 2015-02, if (i) the existing lien attached to the subject property is 12 months or less than 12 months old as verified from the HUD-1/ Closing Disclosure (Settlement Statement) and (ii) the borrower has received \$500 or more cash at closing or through cumulative draws prior to the date of the initial HECM loan application as verified from the HUD-1/ Closing Disclosure (Settlement Statement) and if applicable, the HELOC statement. In such case, the loan will be declined.</p> <p><u>For cases assigned on or after September 19, 2017:</u> As per the guidelines outlined by HECM Final Rule (FR-5353-F-03), in case of Non HECM to HECM refinance loans (i.e. where the borrower is refinancing a Non-HECM loan attached to the subject property with a HECM loan), the following document will be required:</p> <ol style="list-style-type: none"> 1) A copy of the HUD-1/ Closing Disclosure (Settlement Statement) for the existing lien attached to the subject property. 2) If the existing lien attached to the subject property is a Home Equity Line of Credit (HELOC), then a copy of the most recent HELOC statement or its equivalent. <p>The loan will not meet the guidelines outlined by HECM Final Rule (FR-5353-F-03), if (i) the existing lien attached to the subject property is 12 months or less than 12 months old from the date of HECM Closing and (ii) the borrower has received more than \$500 cash at closing or through cumulative draws prior to the date of HECM Closing as verified from the HUD-1/Closing Disclosure (Settlement Statement). In such case, the loan will be declined except for unseasoned Home Equity Line of Credit (HELOC) which can be paid off on the date of this HECM closing through borrower funds, HECM funds or a combination of borrower funds and HECM funds as long as the Initial Disbursement Limit (for HECM ARMs) and Borrower's Advance (for HECM Fixed) does not exceed the limit set by HUD.</p>
Minimum Credit Score	Not Applicable
Max. Claim Amount	<p>\$679,650 (for cases assigned on or after January 1, 2018 till December 31, 2018) \$726,525 (for cases assigned on or after January 1, 2019) Note: For HECM Traditional and HECM to HECM Refinance it is the lower of</p>

	<p>Appraised Value or HECM FHA Mortgage Limit and for HECM Purchase it is the lower of the HECM FHA Mortgage limit, the Appraised Value or the Purchase Price.</p> <p>As per ML 2018-06 (effective for case numbers assigned on or after 10/01/2018 through 09/30/2019) if based on FHA's collateral risk assessment a second appraisal is required, then the lower value of the first and second appraisals will be considered in the calculation of maximum claim amount.</p>
Available Rates/Margins	Refer to our current Rate Sheet for the best rate and margin .
Subordinate Financing	NOT Allowed
Title to the Property	<ul style="list-style-type: none"> • There is no seasoning requirement for ownership. However, the HECM borrower must be on title of the property being refinanced prior to the loan application date. If there is more than one borrower, at least one of them must be on title prior to the loan application date. If none of the borrowers are on title prior to the loan application date then the Lender's exception will be required to proceed. • As per HECM Final (Docket # FR 5353 F 03) along with the borrower(), Non Borrowing Spouse and Non Borrowing Owner() can remain on title. • All persons on title will be required to attend counseling and sign and date the counseling certificate, execute the 'Certificate of Acknowledgement' Disclosure that (1) Consents to their spouse or other borrowing owner obtaining the HECM; (2) Acknowledges the terms and conditions of the mortgage; and (3) Acknowledges that the property will serve as collateral for the HECM as evidenced by mortgage lien(s). • All persons on Title will also have to sign the security instrument evidencing their commitment of the property as security for the mortgage. • As per Lender Overlay all Non-Borrowing Spouses and Non-Borrowing Owner(s) who will quit claim their ownership interest in the property to the borrower at closing will be required to sign and date the counseling certificate acknowledging that they have attended counseling and lender representative will speak to them on the implications of not being on title. They will also be required to sign and date the 'Certificate of Acknowledgement' Disclosure. <p>Irrespective of the case assignment date per Lender Overlay, all persons who have quit claimed their ownership interest in the property in the past 12 months from the loan application date will be required to sign and date the counseling certificate acknowledging that they have attended counseling and lender representative will speak to them on the implications of not being on title. They will also be required to sign and date the 'Ownership Interest Certification' Disclosure .</p>
Property Vested in Trust	Allowed – Must meet HUD guidelines Note: Property cannot be vested in the name of an irrevocable trust.
Acceptable Type of Ownership	<ul style="list-style-type: none"> • Fee Simple • Lease hold (lease for no less than 99 year that is renewable, or under a lease having a remaining term of not less than 50 year beyond the 100th birthday of the youngest mortgagor) As per HECM Final Rule (Docket # FR 5353 F 03), Mortgagor means each original mortgagor under a HECM mortgage and his or her , executor , administrator , and a sign . In simple word , individual who may or may not be borrower but those who hold title including remainder men. Borrower means a

	<p>mortgagor who is an original borrower under the HECM Loan Agreement and Note. The term does not include successors or assigns of a borrower).</p> <ul style="list-style-type: none"> • Life Estate
Tradelines	NA
Bankruptcy	<ul style="list-style-type: none"> • If the borrower is involved in an active bankruptcy at the time a HECM is being originated, approval from the Trustee must be obtained in order to proceed. • A Chapter 7 Bankruptcy does not disqualify a borrower for HECM purchase only if, at the time of case assignment, at least 2 years have passed since the date of bankruptcy discharge. During this time, the borrower should have <ul style="list-style-type: none"> ◦ re-established good credit; or ◦ chosen not to incur new credit obligations. • An elapsed period of less than 2 years, but not less than 12 months may be acceptable, if the borrower: <ul style="list-style-type: none"> ◦ can show that bankruptcy was caused by Extenuating Circumstances beyond his/her control; and ◦ has since exhibited documented ability to manage his or her financial affairs in a responsible manner. <p>A Chapter 13 bankruptcy does not disqualify a borrower for HECM Purchase only if, at the time of case assignment at least 12 months of the pay-out period under the bankruptcy has passed. Borrower's payment history must be satisfactory during this time. The monthly payment amount in the court-approved payment plan will be included in the expense analysis.</p>
Delinquent Federal tax and Non-Tax Debts	<ul style="list-style-type: none"> • The loan will be suspended until borrower resolves delinquent federal tax debt with IRS; delinquent federal non-tax debt with creditor agency.
Appraisal Order	Must be ordered by lender or through approved Appraisal Management Companies.
Special Appraisal Guidelines	<ul style="list-style-type: none"> - Should be FHA approved at the time of assignment and completion of the appraisal. - Should not be in the lender Appraiser Exclusionary List - Effective case numbers assigned on or after 10/01/2018 through 09/30/2019, FHA will perform collateral risk assessment of the appraisal submitted for use in the HECM origination. Based on the outcome of the assessment, FHA may require a second appraisal to be obtained prior to approving or closing the HECM. The second appraisal in such cases should not be ordered from the first appraisal company. The cost of the second appraisal is eligible to be financed as part of the closing costs.
Repairs	<ul style="list-style-type: none"> - Lender would provide the client with the required repairs as needed by the appraiser. - The client would need to confer with the borrower if the repairs would be done prior to closing or as a set-aside after the closing of the loan. - Where major property deficiencies threaten the immediate health and safety of the homeowner and/or jeopardize the soundness and structural security of the property (including mold and strapping of the water heater), the repairs must be completed prior to closing. For Purchase transactions

	<p>such repairs must be completed by the seller prior to closing</p> <p>- All CIRs or 1004Ds Appraisal Update for confirmation of completion of repairs would be ordered by lender prior to closing.</p>	
Repair Set-asides	Allowed	
Property Assessed Clean Energy (PACE)	<p>Property Assessed Clean Energy (PACE) or HERO programs are used to finance the energy efficiency and renewable energy upgrades to buildings. The terms and conditions of PACE/HERO programs vary by state, locality and PACE program, but generally repayment of the PACE obligation is collected by the local government in the same manner as special assessments i.e., an addition to the property taxes paid on the property.</p> <p>Properties with PACE obligations are not eligible for an FHA-insured HECM.</p> <p>As per ML 2017-18, the payoff of a PACE obligation is a Mandatory obligation and it must be paid off at closing, and may be paid off using HECM proceeds.</p> <p>Appraiser must report the outstanding amount of the PACE obligation for the subject property. The Appraiser must also analyze and report the impact on the value of the property from the PACE-related improvements subject to the PACE assessments being extinguished effective for case numbers assigned on or after 01/06/2018.</p>	
Origination Fees	<p>The loan origination fee limit will be the greater of \$2,500 or two percent of the maximum claim amount of the mortgage, up to a maximum claim amount (MCA) of \$200,000, plus 1% of any portion of the maximum claim amount that is greater than \$200,000. The total amount of the loan origination fee may not exceed \$6,000.</p>	
Discount Points	Not Allowed	
Special Fees	<p>No UW Fee. Only a Doc fee of \$125 (\$225 for Texas; No Doc fee is charged for California)</p> <p>lender will pull new credit report on all loan</p>	
Re-disclosure for Increasing Margins / Interest Rate	<p>Interest Rate Increase is Permissible only if:</p> <ol style="list-style-type: none"> 1) The most recent GFE disclosed does not show that the rate is locked 2) The borrower is sent a re-disclosed TIL showing the change in the APR. 	Not Allowed on loans underwritten by lender
Cash Out on Short Pay-Off	Not Allowed	
Interest Rate Type	Fixed	Monthly Adjustable
Payment Plans	Single Disbursement Lump Sum payment option paid at closing	Term, Tenure, Modified Term, Modified Tenure and Line of Credit
Mortgage Insurance Premium (MIP)	<p>For cases assigned from 09/30/2013 till 10/01/2017:</p> <p>- If initial disbursement at closing and during the first 12 month disbursement period is less than or equal to 60%, then initial MIP is 0.50%.</p>	

	<p>- If initial disbursement at closing and during the first 12 month disbursement period is greater than 60%, then initial MIP is 2.50%.</p> <p>For cases assigned on or after 10/02/2017:</p> <p>- The initial Mortgage Insurance Premium (MIP) rate is 2.00% of the Maximum Claim Amount (MCA).</p> <p>For cases assigned from 10/04/2010 till 10/01/2017:</p> <p>- The Annual Mortgage Insurance Premium (MIP) rate is 1.25%.</p> <p>For cases assigned on or after 10/02/2017:</p> <p>- The Annual Mortgage Insurance Premium (MIP) rate is 0.50%.</p>
<p>Initial Disbursement Limit</p>	<p>- <u>Disbursement limits for case numbers Issued on or after, September 30, 2013 till September 18, 2017:</u> Greater of sixty percent (60%) of the Principal Limit; or the sum of Mandatory Obligations plus ten percent (10%) of the Principal Limit. Disbursements must not exceed Net Principal Limit or Principal Limit.</p> <p>-<u>Disbursement limit for case numbers Issued on or after, September 19, 2017:</u> The maximum disbursement allowed at closing and during the First 12-Month Disbursement Period (for HECM ARMs) and the maximum Borrower's Advance (for HECM Fixed) shall not exceed the lesser of: A) The greater of 60% of the Principal Limit or the sum of Mandatory Obligations and additional 10% of the Principal Limit, or B) The principal limit less than sum of the funds in the Life Expectancy Set Aside for payment beyond the First 12-Month Disbursement Period and the Servicing Fee Set Aside</p>
<p>HECM Purchase Interested Party Contributions</p>	<ul style="list-style-type: none"> • ML 2009-11 does not allow interested party contributions. • Effective case numbers assigned on or after 09/19/2017 only the following interested party contributions are permissible: <ul style="list-style-type: none"> ◦ Fees required to be paid by the seller under state or local law (when validated by the Title company) ◦ Fees customarily paid by the seller in the locality of the subject property (when validated by the Title company) ◦ Seller to pay/purchase for Home Warranty Policy
<p>Limitation on number of mortgages</p>	<p>A borrower with a HECM is eligible to obtain future insured HECM loan financing if the existing HECM is satisfied prior to or at closing of the new HECM or the borrower provides legal documentation evidencing release of the borrower's financial obligation to satisfy the existing HECM.</p>
<p>Non-Borrowing Spouse</p>	<p>Effective for FHA case numbers assigned on or after 08/04/2014, lender is accepting the HECM loans with non-borrowing spouse. HECM loans with non-borrowing spouse must comply with all FHA's requirements as specified in the Mortgagee Letter 2014-07. Some of the important requirements are:</p> <ul style="list-style-type: none"> • The non-borrowing spouse does not have to be 62 years old. A non-borrowing spouse, who is less than 62 years old, is acceptable to be on the HECM loan provided the borrower meets the HECM eligibility of 62 years of age. • An eligible Non Borrowing Spouse is legally married to the borrower, and stays at the subject property. An ineligible Non Borrowing Spouse is legally married to the borrower, and but does not stay at the subject property.

	<ul style="list-style-type: none"> • The principal limit will be based on the age of the younger of the borrower and the eligible non-borrowing spouse – so if the borrower is 62 years old and the eligible non-borrowing spouse is 55 years old, the principal limit will be based on the age of the eligible non-borrowing spouse i.e. 55 years in the above example. When determining the principal limit, age of any ineligible Non-borrowing spouse will not be used. • The non-borrowing spouse (both eligible and ineligible) must attend the HECM Counseling Session along with the borrower and sign and date the HECM Counseling Certificate. • A proof of date of birth of the non-borrowing spouse must be submitted along with the application package. <p>The borrower and the non-borrowing spouse must sign the certifications as required by the Mortgagee Letter 2015-02 at closing. The borrower and the eligible non-borrowing spouse must also sign the 'Home Equity Conversion Mortgage (HECM) Disclosure' for the eligible non-borrowing spouse, to ensure that they have understood the implications of the guidelines outlined in ML 2014-07 and ML 2015-02.</p>
<p>Non Borrowing Residents</p>	<p>The correspondent should speak to the Non Borrowing children (children of a prospective HECM borrower, who do not qualify for a HECM, but who currently reside on the real estate, or who are on the title for the real estate that will serve as the security for the FHA insured HECM) to discuss the implication of not putting their name on the loan The entire conversation should be thoroughly documented.</p> <p>The correspondent should speak to the Non Borrowing Resident to discuss the implication of not putting their name on the loan. The entire conversation should be thoroughly documented.</p> <p>All Non Borrowing Resident must sign "Notice to Non.Borrowing Resident" Disclosure</p>
<p>Property Seasoning requirements</p>	<p>Effective for case numbers assigned prior to 10/01/2018:</p> <ul style="list-style-type: none"> - If the borrower purchased the property in less than or equal to 12 months from the *case assignment date*, then we will take the lower of the current appraised value or the original purchase price. - However, if the difference between the Current Appraised value and the Original Sale Price is less than 15%, we can use the current appraised value for the loan transaction and would not consider the Original Sales price. <p>A request for waiving the seasoning overlay may be placed with lender management if supporting documentation (actual contractor bills proving the dollar amount of updates made to the subject property after it was acquired by the borrower) is submitted.</p> <ul style="list-style-type: none"> - The funds to cover the short fall between the net principal limit and the mortgage payoff must be properly sourced if the Original Sales price is considered.
<p>Property Flipping Waiver (Purchases)</p>	<p>90 day flip are not allowed on HECM Purchase Loan as the waiver does not apply to HECM purchase .</p> <p>Only current owner of record may sell properties that will be financed using FHA Insured Mortgage. .</p> <p>Any resale of a property may not occur 90 of fewer day from the last</p>

sale to be eligible for FHA financing.

- For re-sales that occur between 91 and 180 days where the new sale price exceeds 100% of the previous sale price, FHA will require additional documentation validating the property value. This is applicable for case numbers assigned prior to 10/01/2018.

- For re-sales that occur between 91 days and 12 months where the new sales price is 5% or more than the lowest sales price of the property during the preceding 12 months, FHA may require additional documentation to validate the property value.

HECM - HECM Refinance

A HECM to HECM Refinance must meet the following eligibility criteria:

- **Seasoning test:** The FHA case assignment date of the HECM refinance loan must be at least 18 months, after the date of closing of the prior HECM loan being refinanced.
- **Closing cost test:** The increase in principal limit from the current principal limit of the original HECM to the principal limit of the current HECM refinance must be at least five times the total closing cost amount.
- **Loan proceeds test:** The amount of principal limit that is available to the borrower on the new HECM refinance loan, after deducting original HECM loan payoff amount and total closing costs, must be at least 5% of the new HECM refinance principal limit.

Note: If the HECM to HECM refinance loan does not meet the 18 month seasoning test, Lender will only accept the loan if there is no increase in the appraised value and the new HECM refinance loan pass both the closing cost and loan proceeds test.

Initial MIP Calculation:

For cases assigned till 09/18/2017, the initial MIP due to HUD will be calculated through the formula provided in ML 2014 21 as follows:

- (1) New Maximum Claim Amount (MCA) multiplied by new initial MIP (%) = New MIP
- (2) Old Maximum Claim Amount (MCA) multiplied by old initial MIP (%) = Old MIP
- (3) Subtracting the result of (2) from the result of (1) yields the MIP amount owed to HUD.

If the result is positive, the amount must be remitted to HUD as initial MIP on the refinance. No refunds will be given if the amount is negative.

For cases assigned on or after 09/19/2017, as per HECM Final Rule (Docket # FR-5353-F-03) and FHA INFO # 17-59 initial MIP due to HUD will be determined as follows:

- (1) Calculate New Initial MIP (IMIP) Amount: The New Initial Mortgage Insurance Premium (IMIP) Amount will be calculated as New Maximum Claim Amount (MCA) multiplied by new initial MIP (%).
- (2) Perform the HECM Refinance Initial MIP (IMIP) Limit: New IMIP Limit = ((new Maximum Claim Amount (MCA) – old Maximum Claim Amount (MCA)) * 3%) – old Initial MIP paid to HUD.
Note: Old Initial MIP paid: If the HECM that is being refinanced was also a HECM refinance, this includes only the Initial MIP paid on the HECM being refinanced without any credit for money paid on any previous HECM(s).

(3) Determine the New Initial MIP (IMIP) Due: Take the lesser of the New Initial MIP (IMIP) Amount or the New Initial MIP (IMIP) Limit. No refunds will be given if the initial MIP paid on the existing HECM exceeds the initial MIP due on the new HECM.

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The Financial Assessment will include:

- Documenting and verifying credit, income, asset and property charge
- Evaluating extenuating circumstances and compensating factors
- Analyzing credit history/property charge payment history and calculating cash flow/residual income
- Completing a HECM Financial Assessment Worksheet

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- The life expectancy of the youngest borrower;
- The HECM expected average mortgage interest rate;
- The sum of the current property taxes and homeowners and flood insurance premium; and
- A factor to reflect increases in tax and insurance rates.

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: i`m` : i bXYX`@jZY`9l dYVWUbVhGYh 5g]XY. may be required for both adjustable and fixed interest rate HECM and lender will be responsible for making timely property tax and insurance payment.

DUfhjU`m` : i bXYX`@jZY`9l dYVWUbVhGYh 5g]XY. may be required for adjustable interest rate HECM only and the borrower will receive semi annual payment from lender, which must be used to make timely property tax and insurance payment.

If, after considering any applicable Extenuating Circumstances, the borrower's credit and/or Property Charge Payment History is not acceptable, A Fully Funded Life Expectancy Set aside (LESA) is required to approve HECM.

If, after considering any applicable Compensating Factor, the borrower's residual income is not sufficient:

- A Partially Funded LESA is required if the amount of Partially Funded LESA is less than or equal to 75% of the Projected Life Expectancy Property Charge Cost.
- A Fully Funded LESA is required if the amount of the Partially Funded LESA is greater than 75% of the Projected Life Expectancy Property Charge Cost.

In making the loan decision, we take into account the impact of Fully Funded or Partially Funded LESA on borrower's residual income.

Where the amount of property charges to be paid through the Fully funded LESA is such that the borrower will still fall significantly short of the residual income standard, the HECM could not be approved.

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\$0 to \$30

\$5 to \$35

Disclaimer:

- This information is provided as information for licensed Wholesale and Hybrid Correspondent Clients only and may not be copied or distributed to customers or potential customers.
- All loans are subject to approval. Certain restrictions may apply. Rates and prices are subject to change.