Enjoy Retirement
In Your Dream Home

HOME EQUITY CONVERSION MORTGAGE
FOR PURCHASE GUIDE
At TowneBank Mortgage, we recognize the unique financial needs of the senior community.

A Home Equity Conversion Mortgage (HECM) for Purchase is a Government sponsored program for homeowners age 62 years or better that allows for freedom and flexibility. Combine your down payment with a reverse mortgage and purchase a new home without having to make any principal and interest mortgage payments.*

Our professional and experienced team will help you reach your goals.

*Customer is still responsible for taxes, insurance and HOA, if applicable.
Reverse Mortgages were launched in 1961 to a woman that resided in Portland, Maine. The owner of the small local bank wanted to help the wife of his high school football coach stay in her home after the passing of her husband. The creation of this type of loan is truly inspirational.

You have to admire the forward thinking that went into introducing such a bold and new type of mortgage because it can provide funds to help pay for the things you want or need, while continuing to live in your own home. A lot of retirees will sometimes need access to cash because of an emergency, or to supplement a loss of income.

The first proposal for Reverse Mortgages was brought by former Senator John Heniz. The proposal was approved and officially insured by the Federal Housing Administration (FHA) in 1983. In 1987, a bill was passed by Congress called the Home Equity Conversion Mortgage (HECM) Demonstration. This was a pilot program that insured reverse mortgages. Following the pilot program, President Ronald Regan signed the reverse mortgage bill into law in 1988. HUD then gained the right to insure reverse mortgages through FHA.

The first set of regulations came out in 1994. Congress required that lenders disclose the total annual loan costs to borrowers at the beginning of the application process. More safeguards were implemented in 1998, such as full disclosure fees, to protect borrowers from unnecessary charges.

To ensure your security, between 2010 and present day, there were a number of changes made to enhance the reverse mortgage product. The economic downturn of 2008 left many people feeling skeptical of how and if a reverse mortgage could really be utilized and protect them as they age. But over the years, financial advisors and other trusted professionals began to realize that a reverse mortgage could be an important, effective part of a sound and rewarding retirement funding strategy.
For example, the proceeds from a reverse mortgage can help you avoid tapping into your nest egg in the early years of retirement—which can extend retirement income, help you maintain your lifestyle, maximize your Social Security benefits, and live the retirement you’d hoped for. These are just some ways to use this product as a financial tool.

There’s more than one way to use your home equity to meet the challenges of retirement financing. You can establish a HECM line of credit and draw on it as needed for future expenses, such as health care costs.

This guidebook is designed to help you understand how the reverse mortgage program works, and how you may be able to use it to help you meet your financial goals.
BENEFITS:
• FHA loan program
• No monthly principal and interest mortgage payments. Borrower is responsible for property taxes, insurance and HOA dues if applicable
• Client retains the home’s title
• Stay in your home

A REVERSE FOR PURCHASE COULD ALLOW YOU TO:
• Downsize for more affordable living
• Relocate to be closer to family
• Purchase a more accessible home for your lifestyle

QUALIFICATIONS:
• Homeowner must be 62 years of age or better
• Home must be a primary residence (second, vacation or investment homes not eligible)
• No seller or lender concessions allowed
• Borrower must provide cash down payment at closing from allowable funding source; 3 months financial statements required (standard FHA sourcing guidelines apply)
• Home must meet minimum FHA property standards
• Borrower must occupy property as primary residence within 60 days
• Mandatory homebuyer’s counseling session
• No personal property on purchase contract can convey

ELIGIBLE PROPERTIES:
• Single family homes
• 1-4 unit owner occupied properties
• FHA approved condominiums
• Newly constructed properties
The chart below illustrates how much more house they can buy using the HECM for Purchase program. Combine a down payment with the loan proceeds and increase their purchase power without having to make any principal and interest mortgage payments.

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<th>PURCHASE PRICE</th>
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<th>$400,000</th>
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</table>

A full or partially funded set aside of proceeds may be required for payment of property charges on the new loan. Home must be occupied as principal residence, required taxes and insurance paid, and all necessary repairs made to avoid deterioration of the property. When the house is sold, the loan, along with any interest and fees, are paid to the lender; any remaining equity belongs to the borrowers or heirs. Advertising materials are not provided or approved by the Department of HUD or FHA. * The amounts displayed are for illustrative purposes only. Actual down payments may vary based on interest rate and other factors. Please contact us for details about credit costs and terms.
HECM: Step by Step

STEP 1: EDUCATION
One of our expert Home Equity Conversion Mortgage (HECM) Consultants will contact you to:

- Carefully assess your individual needs and financial situation. This includes reviewing your income, assets and expenses; talking with you about your particular plans and concerns; and estimating how much money you may qualify for.
- Thoroughly explain the eligibility factors, benefits, features, options, costs and borrower obligations associated with reverse mortgage products.
- Answer all your questions, and help you determine if a reverse mortgage is the right solution for you—and if so, which type best fits your needs and goals.
- Prepare you for your reverse mortgage counseling session.

STEP 2: INDEPENDENT COUNSELING
To ensure that you understand all aspects of a reverse mortgage, you are required to have a counseling session with an independent counselor who has been approved by the U.S. Department of Housing and Urban Development (HUD). It usually takes about 60 to 90 minutes and can be done in-person or over the phone. (Some states require face-to-face counseling.)

STEP 3: APPLICATION
If you decide to proceed with the loan, your HECM Consultant will help you complete the application and collect your documentation.

Some of the required documents are: Your signed counseling certificate, photo identification, verification of Social Security number, recent property tax bill, proof of homeowner’s insurance, income, employment, asset documentation, and existing mortgage statement (if applicable).

Your HECM Consultant will let you know exactly which documents you’ll need to provide.

STEP 4: PROCESSING & APPROVAL
Your HECM Consultant will submit the paperwork and we will process your application. We will order a property appraisal from an FHA approved appraiser to determine the market value of your home.

We will also order title work and existing mortgage payoff amounts if applicable. An underwriter will then review the application for approval and a clear to close.

STEP 5: CLOSING
- When the final loan documents are ready for your signature, we will contact you to schedule your loan closing, which can take place at your home or office of settlement agent of your choice.
Non Borrowing Spouse Protection

When a spouse is NOT included in a HECM transaction, he/she is referred to as a Non-Borrowing Spouse (NBS). This is often due to the spouse not meeting the age requirement, which is age 62 or better. In a simple sense, an NBS is the spouse of a Reverse Mortgage borrower who will not be on the Reverse Mortgage.

WHAT DETERMINES ELIGIBILITY?

Eligibility is determined by the criteria below; if a spouse meets the criteria they MUST be an eligible NBS, if not the spouse is ineligible. Borrowers or their spouses cannot “opt-out” of their eligibility.

1. The NBS has been properly disclosed to the lender at origination and specifically named as a Non-Borrowing Spouse in the loan documents; and
2. The NBS has been the spouse of the borrower at the time of loan closing and has remained their spouse for the duration of the borrower’s lifetime;
3. The NBS has occupied, and continues to occupy, the home as the primary residence of the Non-Borrowing Spouse.

WHAT IS A DEFERRAL PERIOD?

When the last BORROWER passes away an eligible non-borrowing spouse may continue to occupy the property as long as it remains their primary residence. During that time the NBS must:

- Establish legal ownership within 90 days of the last borrower’s date of death.
- Continue to live in the home as their primary residence.
- Ensure all obligations of the mortgage continue to be satisfied (payment of property charges, home maintenance, occupancy certifications, etc.)

Since they are not a borrower, no funds (LESA, LOC advances, and tenure or term payments) may be disbursed to the non-borrowing spouse during the deferral period. Interest and ongoing annual mortgage insurance premium will continue to accrue during this period.

BOTH ELIGIBLE AND INELIGIBLE NON-BORROWING SPOUSES MUST ATTEND HECM COUNSELING.
Non Borrowing Spouse (NBS) Q&A’s

Q Is the Principal Limit affected by having a NBS?

A Yes, the youngest borrower or ELIGIBLE NBS’s age is used to calculate the Principle Limit.

Q Is credit run on non-borrowing spouses?

A Not all the time. Regardless of homestead or community property states, credit would only be run for non-borrowing spouses when income was being used to reduce family size or as a compensating factor.

Q Is the deferment period in place if the borrower moves into an assisted living facility or similar?

A No, deferent period only applies upon death of the last borrower.

Q Do any states have restrictions on non-borrowing spouses?

A Only Texas. Eligible non-borrowing spouses are not allowed in Texas. Ineligible NBS’s are allowed.

Q Do these rules apply to all Reverse Mortgage loans?

A No, these guidelines are effective for FHA Case Numbers assigned on or after 8/4/14. However, lenders may offer the Due and Payable Deferral period to any borrower with case numbers issued prior to that date. These situations are handled by the Servicing department on a case-by-case basis.

Q Are the rules different if the borrower and NBS are legal separated?

A No, unless the parties are legally divorced the guidelines for non-borrowing spouses apply.
“I had considered doing a Reverse Mortgage for quite some time. I had seen the ads on TV and heard some things through various places, but I just wasn’t sure if this was the way to go. I finally decided to contact TowneBank Mortgage and I can honestly say it is the best thing I’ve ever done financially! I now live with peace of mind knowing my financial problems are gone and I can still maintain my pride and dignity knowing that my children will also receive an inheritance. The Reverse Mortgage has been a win/win for me and my family. Thank you TowneBank Mortgage for the guidance and caring approach.”

– B. Courtney

“I cannot speak highly enough of the HECM for Purchase. It was a solution when there seemed there was none. Without it, honestly, I’m not sure what my parents would have done given what was facing them. If you are considering a HECM for Purchase, I encourage you to weigh the many benefits of having no house payment, of being able to buy a nicer home – of being able to upgrade to a safer home – of being able to have cash available each month to travel – or to pay medical expenses. Cash that would normally go to a mortgage payment is now parked in your bank account. Truly, it is a great option!”

– Gwen G. (Daughter of Clients)

“The Reverse Mortgage allowed us to eliminate our mortgage payments so we can retire more comfortably. TowneBank Mortgage was so knowledgeable and a pleasure to work with. They explained things in a way that was easy to understand and without any pressure. We are extremely happy we chose the Reverse Mortgage with TowneBank.”

– B. Mitchell

“TowneBank Mortgage came to the rescue with their Reverse to Purchase program. Not only were we able to keep our original home and convert it into a rental property pending sale at a future date, we were able to purchase a home in a 55+ gated community that met all our criteria.”

– Sam and Nancy C.

“TowneBank Mortgage has trained professionals who took the time to explain in detail our Reverse Mortgage options. We chose the HECM for Purchase Program when moving from our home of 29 years to a one level condo. By doing so, we were able to buy a nicer home in a more desirable neighborhood plus have money in the bank and no mortgage payments! Two years later, we enjoy a wonderful peace of mind with this decision and recommend it to others. We know we have a lovely home for as long as we choose to live here.”

– Bob and Mary C.

Satisfaction rate is calculated from returned surveys as of July 2015.
WHAT IS A HOME EQUITY CONVERSION MORTGAGE (HECM)?
A Home Equity Conversion Mortgage (or HECM) is a loan that allows homeowners age 62 or better to access a portion of the equity in their existing home or in a new home.

The proceeds of the loan are generally tax-free,* and borrowers are able to use the funds however they choose - whether it’s to pay off debt, cover medical expenses, make improvements to their home, create a line of credit for future expenses, or purchase a new home.

WHAT ARE SOME REQUIREMENTS FOR A HECM?
- Age 62 or better
- Own your property
- Occupy the property as your primary residence

HOW MUCH MONEY CAN I GET FROM A HECM?
Loan amounts vary and are based on the type of HECM, the age of the borrower, the appraised value of the home and current interest rates.

HOW IS IT DIFFERENT FROM A HOME EQUITY LOAN?
With a home equity loan, borrowers must have sufficient income-versus-debt ratio to qualify, and they are required to make monthly principal and interest mortgage payments.

A HECM is different in that it requires no monthly principal and interest mortgage payments and may make payments to the borrower.

IS MY HOME ELIGIBLE?
Single family, owner occupied 2-to-4 unit, modular, manufactured, planned unit developments (PUDs) and condo homes may be eligible. Co-op and mobile homes are not eligible. The property must also be your primary residence.
WHEN WILL THE LOAN BECOME DUE?
Circumstances that will cause the loan to become due include, but are not limited to:
• Last surviving borrower(s) permanently moves out of the home or passes away
• Last remaining borrower(s) fails to live in the home for 12 consecutive months
• Borrower(s) fails to pay property taxes or insurance
• Property deteriorates beyond what is considered reasonable

WILL MY HEIRS OR I HAVE TO SELL THE HOME WHEN THE LOAN BECOMES DUE?
If the loan becomes due and payable, you or your heirs will have to repay the amount owed.

OPTIONS INCLUDE:
• Paying off the entire balance and keeping the home, which can also be done by refinancing with a standard mortgage
• Selling the home to pay off the balance

WHAT COSTS ARE ASSOCIATED WITH A HECM?
Costs may include:
• Origination, appraisal and credit report fees
• Settlement and title fees
• Counseling fee
• Transfer taxes and recording fees
• Mortgage insurance

HOW WILL I RECEIVE MY HECM PROCEEDS?
You will receive your proceeds as a single lump sum to finance the new home.

CAN I USE PROCEEDS FROM MY HECM TO BUY ANOTHER HOME?
YES. Proceeds can be combined with a down payment to purchase a new primary residence.
Contact me today to learn more about our Home Equity Conversion Mortgage (HECM) for Purchase Program.

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After graduating from East Carolina University in 1992 with an urban planning and business management degree, Jerry Garner began his career in the financial industry. During his time working in consumer finance, Garner also got exposure to financial consulting. Earning several leadership awards and qualifying for the President’s club, he was recognized for his talent, and became one of the youngest managers to be promoted to district management.

In 2003, Garner became a nationally licensed reverse mortgage consultant, focused solely on consulting senior homeowners and their trusted advisors. His success continued, as he was consistently the top producing Reverse Mortgage consultant in the country. As a top producer for 2014, he was named a member of the TowneBank Mortgage Chairman's Club.

Bringing many years of experience with him, Garner decided it was time to join a company that offered exquisite customer service, with a hometown feel. TowneBank Mortgage allows Garner to continue to consult with homeowners and trusted advisors in an educational atmosphere. Garner has a passion for helping people understand how home equity can play a role in cash flow planning in retirement, and would appreciate the opportunity to speak with you about the benefits of a Reverse Mortgage.

Garner lives in Charleston, SC with his wife Sally, and their son Hogan, and can be reached directly at (843) 670-4332.
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