

SWMC HECM Underwriting Guidelines

Loan Parameter	HECM Fixed (Standard 2011)	HECM Fixed (Saver)	HECM Simple
Youngest Borrower Age Eligibility	62 years and above		
Occupancy Allowed	Owner Occupied Primary Residence		
States Allowed	<p style="text-align: center;">All States with the following exceptions:</p> <p>Wholesale: Not allowed in IL. Not accepting loans in HI, MA, MO, NC, RI.</p> <p>Correspondent: Not allowed in IL. Not accepting loans in MO, RI.</p> <p>Note: Special Interest or Pricing for IN, OH, MI, PR may apply</p>		<p style="text-align: center;">All States with the following exceptions:</p> <p>Wholesale: Not allowed in MA, MO, NC, and RI.</p> <p>Correspondent: Not allowed in MO, and RI.</p>
Property Type	<p style="text-align: center;">1-4 Unit, Condos, Manufactured Homes (Single Widens NOT allowed), PUDs</p> <p>Note: Special Interest or pricing for unapproved condos, rural properties, Manufactured Homes and Log Homes may apply</p>		
Counseling Requirement	HUD Approved HECM Counselor		
Loan Purpose Allowed	Purchase and Refinance		
Minimum Credit Score	Not Applicable		
Min. Loan Amount	\$20,000		
Max. Claim Amount	\$625,000		
Available Margins	Refer to our current Rate Sheet for the best rates and margins.		
Subordinate Financing	NOT Allowed		
Property Vested in Trust	Allowed – Must meet HUD guidelines		
Acceptable Type of Ownership	<ul style="list-style-type: none"> <li style="text-align: center;">- Fee Simple <li style="text-align: center;">- Leasehold (lease for no less than 99 years that is renewable, or under a lease having a remaining term of not less than 50 years beyond the 100th birthday of the youngest borrower.) <li style="text-align: center;">- Life Estate 		
Tradelines	NA		
BK	<ul style="list-style-type: none"> <li style="text-align: center;">- 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. 		
Appraisal Order	Must be ordered by SWMC or through SWMC approved Appraisal Management Companies.		
Special Appraisal Guidelines	<ul style="list-style-type: none"> <li style="text-align: center;">- Should be FHA approved at the time of assignment and completion of the appraisal. <li style="text-align: center;">- Should not be in the SWMC Appraiser Exclusionary List 		
Repairs	<ul style="list-style-type: none"> <li style="text-align: center;">- SWMC would provide the client with the required repairs as needed by the appraiser. <li style="text-align: center;">- 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. <li style="text-align: center;">- 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. <li style="text-align: center;">- All CIRs or 1040s Appraisal Update for confirmation of completion of repairs would be ordered by SWMC prior to closing. 		

Repair Set-asides	Allowed	
Origination Fees	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.	
Discount Points	Not Allowed	
Special Fees	No UW Fee. Only a Doc fee of \$100 (\$200 Texas)	
Re-disclosure for Increasing Margins	Not Applicable	Not Allowed
Cash Out on Short Pay-Off	Not Allowed	
Interest Rate Type	Fixed	Monthly Adjustable
Payment Plans	Lump Sum paid at closing	Term, Tenure, Modified Term, Modified Tenure, Line of Credit
Mortgage Insurance Premium (MIP)	<ul style="list-style-type: none"> - Up front Mortgage Insurance Premium is 2% of maximum claim amount for HECM Standard and 0.01 Percent for HECM Saver - Monthly MIP is 1/12th of 1.25% (of outstanding balance) is added to principal monthly for both HECM Standard and HECM Saver 	
Non Borrowing Spouse	<ul style="list-style-type: none"> - Must attend counseling - Must sign "Notice to Non Borrowing Spouse" and "Ownership Interest Disclosure" - Must sign Security Instruments for community property states 	
Non Borrowing Residents	<ul style="list-style-type: none"> - The 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, but will be removed from title prior to closing, are not required to receive HECM counseling as per SWMC policy. The SWMC underwriter should speak to the Non Borrowing children to discuss the implications of not putting their name on the loan. The entire conversation will be thoroughly documented. - If the non-borrowing resident (NBR) currently on title is under the age of 62, he/ she is not required to attend counseling. The SWMC underwriter should speak to the Non Borrowing Resident to discuss the implications of not putting their name on the loan. The entire conversation will be thoroughly documented. - They also must sign "Notice to Non Borrowing Spouse" and "Ownership Interest Disclosure" 	
Property Seasoning requirements	<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. - 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. 	
Property Flipping Waiver (Purchases)	<ul style="list-style-type: none"> - 90 day flips are not allowed on HECM Purchase Loans as the waiver does not apply to HECM purchases. - Only current owners of record may sell properties that will be financed using FHA-Insured Mortgages. - Any re-sale of a property may not occur 90 or fewer days from the last 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.	
HECM – HECM Refinance Benefit factor	- HECM to HECM refinance must provide the borrower with a minimum of 5 times the HECM to HECM refinance benefit factor (difference between new and existing principal limit should be at least 5 times the sum of closing cost and servicing set asides)	
Servicing Fee	\$0 to \$30	\$5 to \$35

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- All loans subject to approval. Certain restrictions may apply. Rates and prices are subject to change.