

SWMC HECM Underwriting Guidelines

Loan Parameter	HECM Simple	HECM Fixed
Youngest Borrower Age Eligibility	62 years and above	
Occupancy Allowed	Owner Occupied Primary Residence	
States Allowed	All States with the following exceptions: Wholesale: Not allowed in MA, MO, NC, and RI. Correspondent: Not allowed in MO, NC, and RI.	All States with the following exceptions: Wholesale: Not allowed in IL, MA, MO, NC, and RI. Correspondent: Not allowed in IL, MO, NC, and RI. Note: Special Interest or Pricing for PR, IN, OH, MI may apply
Property Type	1-4 Unit, Condos, Manufactured Homes (Single Wides are NOT allowed), PUDs	1-4 Unit, Condos, Manufactured Homes (Single Wides are NOT allowed), PUDs Note: Special Interest or pricing for unapproved condos, rural properties, Manufactured Homes may apply
Counseling Requirement	HUD Approved HECM Counselor	
Loan Purpose Allowed	Purchase and Refinance Note: HECM Purchase is not allowed on TX and MA	
Minimum Credit Score	Not Applicable	
Min. Loan Amount	\$20,000	
Max. Claim Amount	\$625,000 Note: For HECM Purchase it is the lower of the \$625,000, the Appraised Value and the Purchase Price	
Available Margins	2.75, 3.0 and 3.25	Refer to our current Rate Sheet for the best rates.
Subordinate Financing	NOT Allowed	
Property Vested in Trust	Allowed – Must meet HUD guidelines	
Acceptable Type of Ownership	- Fee Simple - 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.) - Life Estate	
Tradelines	NA	
BK	- 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	- Should be FHA approved at the time of assignment and completion of the appraisal. - Should not be in the SWMC Appraiser Exclusionary List	- Should be FHA approved at the time of assignment and completion of the appraisal. - Should not be in the SWMC Appraiser Exclusionary List
Repairs	- SWMC 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. - 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 Allowed	Not Applicable
Cash Out on Short Pay-Off	Not Allowed	
Interest Rate Type	Monthly Adjustable	Fixed
Payment Plans	Term, Tenure, Modified Term, Modified Tenure, Line of Credit	Lump Sum paid at closing
Mortgage Insurance Premium (MIP)	<ul style="list-style-type: none"> - Up front Mortgage Insurance Premium is 2% of maximum claim amount - Monthly MIP is 1/12th of .5% (of outstanding balance) is added to principal monthly - Must attend counseling 	
Non Borrowing Spouse	<ul style="list-style-type: none"> - 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 form 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"> - SWMC will honor HUD's 90 day flipping waiver only if there is a clear path from a bank REO to an investor to our borrower that is an independent third party (no relationship to the original bank or seller). - There must not be an identity of interest or a potential straw borrower situation. - Related Parties on the loan: SWMC is not concerned about any relationship between the seller and the listing agent or the listing broker. Such situations do not increase the risk profile of the loans. SWMC *IS* concerned about a relationship between the seller and either the (the selling agent, the seller broker, or the buyer). If a file has any of the following relationships then SWMC will not approve the loan: <ol style="list-style-type: none"> 1. Listing agent is the same as the selling agent. 2. Listing broker is the same as the selling broker. 3. The Seller or the Listing agent or the Listing broker shares some direct or indirect beneficial interest with the selling agent/broker if this purchase transaction is consummated. 	

4. The seller is the same as the selling agent.
5. The seller is the same as the selling broker.
6. The seller and the buyer are related directly or indirectly.

If it is evident and can be logically documented that the selling agent is not acting in its client's, the buyer's, best interest; the loan may be declined by SWMC.

- The seller cannot be an LLC or corporation but the seller can be an individual.

- However, if the LLC/Corporation selling the property is a major institution then it is acceptable for a Flip Waiver. If the seller is a Major Bank selling it's own REO property, the transaction does not need a Flip Waiver.

LLCs may be accepted if they are able to provide Articles of incorporation, List of officers, directors, and shareholders and the LLC is in good standing. The UW would determine if there is any relationship between either of the mortgage broker, selling agent, or the borrower. A 50 BPS price hit is applicable for all LLC exceptions approved.

- No recent transfers of title to seller. The only scenario that we will accept is:

- a. Individual Seller buys property out of TD sale, bank, lender, trustee, or short sale.
- b. Individual Seller sells property to our buyer
- c. No intermediate transfer of property allowed.

- Additionally, the file must be reviewed thoroughly to ensure that the loan makes sense and the value is well supported.

- HECM to HECM refinance must provide the borrower with a minimum of 3 times the HECM to HECM refinance benefit factor (difference between new and old principal limit should be at least 3 times the sum of closing cost and servicing set asides)

- In exceptional cases where the loan provides less than 3 times the benefit factor, SWMC will fund the loan only if it is established that the borrower is in hardship (e.g., medical procedures, etc.).

- In these cases, we will require hardship letter from the borrower and the Broker/Correspondent's Origination fee will be capped to 1%.

- If a Borrower is refinancing a HECM ARM to a HECM Fixed we would accept a Benefit factor of as low as 1x

HECM – HECM Refinance Benefit factor		
Servicing Fee	\$0 to \$35	\$0 to \$30

Disclaimer:

- This information is provided as information for licensed wholesale brokers only and may not be copied or distributed to customers or potential customers.

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