

Date: March 5, 2014
To: All Texas Agents
From: David M. Hays, Vice President & Underwriting Counsel
RE: PURCHASE MONEY REVERSE MORTGAGES

On November 5, 2013, Texas voters approved Proposition 5, amending Section 50(k), Article XVI, Texas Constitution, authorizing advances under a reverse mortgage for the purchase of homestead property. This constitutional amendment became effective January 1, 2014.

Section 50(k) was further amended to allow the lender to demand repayment of the loan if the borrower fails to occupy the property within 60 days of executing the deed of trust. Moreover, the amended constitutional provision requires the prospective borrower **and** the borrower's spouse to receive reverse mortgage counseling within the stated time period and prior to closing the loan.

A few other important lender requirements to note are: 1) providing borrowers an amended constitutionally required notice; 2) restrictions as to the origin of the borrower's closing funds (i.e. no sweat equity, rent equity or trade equity. No seller carry back or cash from a party benefiting financially from the transaction), and 3) limitations on types of property eligible to be used as collateral for the loan.

See more details at HUD's website by clicking the following link:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/faqs_hecm

Due to the constitutional amendment authorizing this new reverse mortgage product and newly established requirements for making such a loan, we have receive a number of questions regarding insuring these transactions. This bulletin is intended to clarify FNTI's position.

- FNTI will insure purchase money reverse mortgages.
- FNTI will not take any specific exceptions related to a purchase money reverse mortgage.
- FNTI will issue the T-43 Reverse Mortgage Endorsement.
- FNTI **will not** include any affirmative statements or endorsements to insure that any of the new loan requirements are met. **CAUTION: Closing agents should carefully read all lender closing instructions to make certain that the lender has not made a request for such affirmative coverage beyond that which is provided in the T-43 endorsement. If a closing agent receives such a request in the written lender closing instructions the agent should inform the lender that we are unable to provide any additional insurance beyond that which is contained in T-43 endorsement and request that the written closing instructions be amended to remove the request.**
- There are currently no industry discussions regarding changes to the existing T-43 endorsement or the addition of a new endorsement related to the purchase money reverse mortgage.

As is the case when closing a standard reverse mortgage, it is the lender's responsibility to meet the HUD requirements. Closing agents should expect to see some additional affidavits included in the lender's loan documents related to compliance with the new requirements associated with this new loan product.

If you have additional questions, please contact the FNTI underwriting department.