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— R E V E R S E —

HomeSafe[®] Overview

**HOMESAFE[®]: FINANCE OF AMERICA
REVERSE'S PROPRIETARY
PRODUCT**

Revised March 2024

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HOMESAFE® OVERVIEW

1. Introduction and Advantages
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3. HomeSafe® Products
 - a) HomeSafe® Standard
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INTRODUCTION TO HOMESAFE®



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INTRODUCTION

HomeSafe® is the proprietary retirement financing tool of FAR:

- Allows borrowers 55 and older to maximize loan proceeds except in a few states.
- Loan amounts up to \$4,000,000
- Refinance and purchase transactions
- LTV offerings of a variety of pricing tiers
- Fixed and adjustable rates options
- Lower fees with no mortgage insurance premium
- Minimum principal limit



FAR

HomeSafe



INTRODUCTION TO HOMESAFE®

HOMESAFE® ADVANTAGES

- FAR sometimes offers lender credit to cover customary closing costs with a slight increase in rate (refer to current rate sheet for available rates).
- No mortgage insurance premium (MIP)
- It is a non-recourse loan meaning the borrower or the estate will never owe more than the loan balance or value of the property, whichever is less.
- Un-approved condominiums can follow the Single Unit Approval (SUA) process if not already FHA, FNMA, or FAR approved.
- No out-of-pocket funds are required at closing. (Does not apply to purchase loans)
- No pre-payment penalties
- There are no seasoning requirements for a cash-out refinance within the past 12 months



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2022 ELIGIBILITY



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ELIGIBILITY

GENERAL BORROWER ELIGIBILITY

- 55 years or older (state exceptions may apply)
- U.S. Citizen or Resident Alien status
- Meet Financial Assessment qualifications
- FAR follows the U.S. Department of Housing and Urban Development (HUD) guidelines for trusts

The following are ineligible:

- Non-occupant co-borrowers
- Non-arms-length transactions



ELIGIBILITY

REGARDING NON- BORROWING SPOUSES

FAR will recommend the borrower opt for the HECM program unless one of the following is met:

- The NBS has never been on the title and does not have any community property rights to the property.
- The NBS does not reside in the subject property and does not have any community rights to the property.

If the loan does not meet the requirements in the previous section, and the borrower still feels the HomeSafe® product is the best option, then a videotaped interview must be completed.

NBS over the age of 55 or “age eligible” must provide a letter of explanation as to why they are not participating as a borrower on the loan and must be granted an exception to proceed.

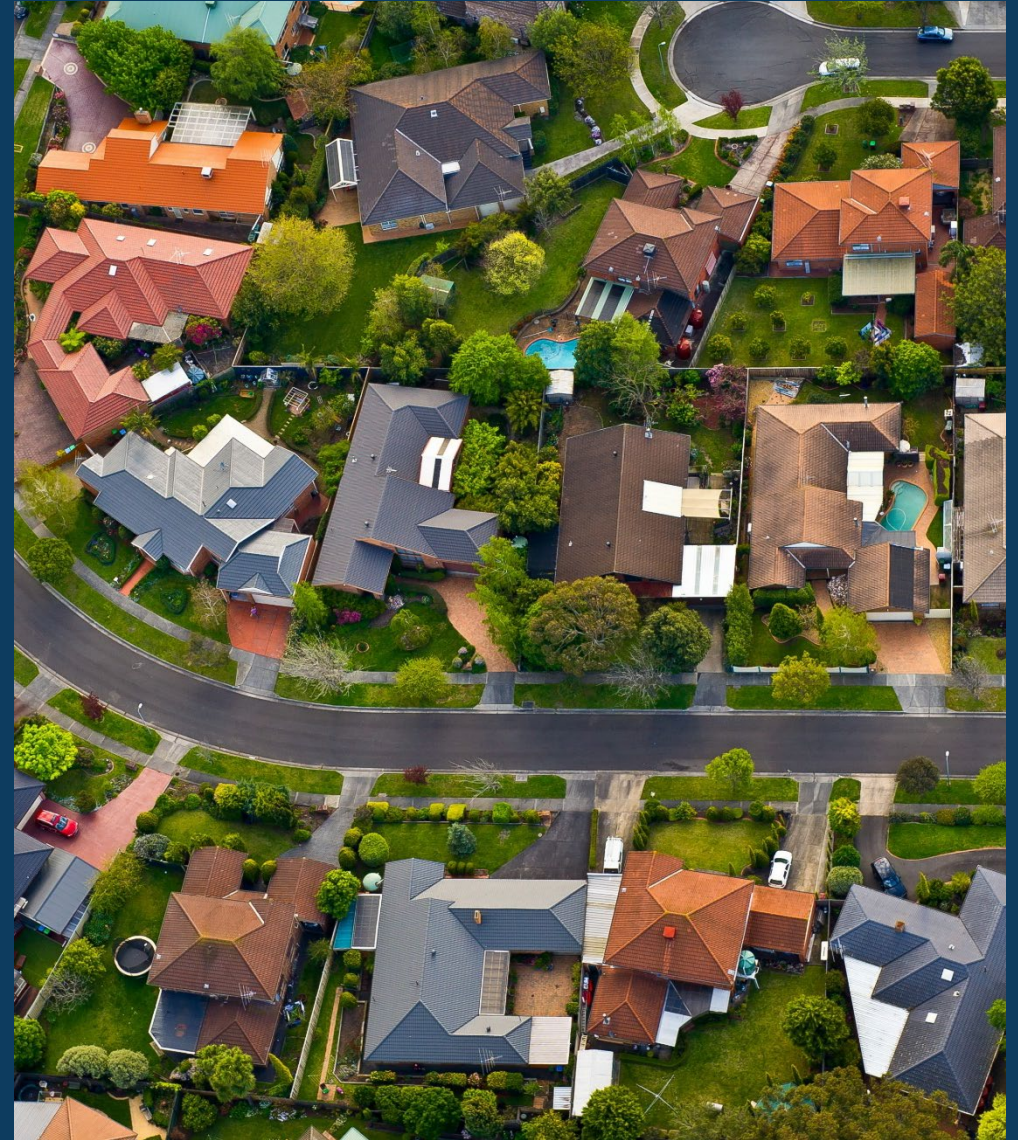
Note: MA, NY, and WA, NBS age 60 years or older; NC and TX, NBS 62 years or older.



ELIGIBILITY

ACCESSORY DWELLING UNIT (ADU):

- If rented, zoning regulations must comply allowing rental unit
- If regulations do not allow rental unit, ADU must be decommissioned in accordance with local code
- One-unit properties where the borrower occupies ADU, rental income from the main unit will not be used to meet FA.





ELIGIBILITY

PROPERTY DETAILS

- HUD guidelines apply to new construction.
- Must be borrower's principal residence.
- A survey is not required unless one is required by title, purchase contract, or the Underwriter.
- Repair set-asides are allowed; however, some repairs may be required to be completed prior to closing.
- Properties purchased within the prior 12 months are valued based on the lower of the appraised value, purchase price, or FAR adjusted value.



ELIGIBILITY

HOMESAFE® STATE AVAILABILITY

HomeSafe® state availability is expanding rapidly. For the complete list of HomeSafe®-approved states, see the current licensing matrix on FAR's website.

IMPORTANT: See FAR bulletins for current availability. FAR releases a new bulletin anytime there is an update to HomeSafe® state availability.



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HOMESAFE[®] PRODUCTS



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HOMESAFE® OPTIONS

Product Comparisons	HomeSafe® Standard	HomeSafe® Standard LESA	HomeSafe® Select	HomeSafe® Second
Maximum Principal Limit	Up to \$4 million	Up to \$4 million	Up to \$4 million	Up to \$4 million minus loan balance of 1 st lien
Minimum Home Value	No minimum	No minimum	No minimum	No minimum
Minimum Principal Limit	See rate sheet	See rate sheet	See rate sheet	Minimum Loan Amount: \$50,000
Origination Fee	Retail: 1% Payable to Lender Wholesale: PA/CLS: Payable to Lender Broker: 1% Payable to Lender on PL	Retail: 1% Payable to Lender Wholesale: PA/CLS: Payable to Lender Broker: 1% Payable to Lender on PL	Retail: 1% Payable to Lender Wholesale: PA/CLS: Payable to partner, Broker: 1.5% Payable to Broker on MCA; Max: up to \$20k	\$3,995 payable to FAR
Lender Credit Available	No	No	No, broker can choose to credit	No
Line of Credit	No	No	Yes w/1.5% growth on unused LOC for 7years	No
Interest Rate	Fixed, based on tier	Fixed, based on tier	Adjustable**	Fixed
Property Charge Set-Aside (LESA)	N/A	Allowed	Allowed	Not allowed
Service Fee	None	None	\$20 per month, except IL and TX	None
Minimum Age	55, except in MA, NY, and WA (60)/ NC and TX (62)	55, except in MA, NY, and WA (60)/ NC and TX (62)	55, except in MA, NY, and WA (60)/ NC and TX (62)	55, except in TX (62)
**Rate floor = greater of (Start rate – 1.50% OR 5.50%)				





HOMESAFE® PRODUCTS

HomeSafe® Standard

- Full-draw, fixed-rate, product
- Lender credits sometimes available
- Has no initial disbursement limitations
- Has a LESA option available
- Has no servicing fee



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HomeSafe® Standard - Massachusetts

- Limited to a maximum of \$2,000,000 in principal limit with a minimum age of 60.
- Counseling agent to be approved by the Executive Office of Elder Affairs (EOEA) to perform counseling.
- Low-income borrowers to have their counseling performed face-to-face.

*This is effective immediately and **the suspension has been extended March 31, 2024.***



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HomeSafe® Standard - New York

- Available for broker originations only.
- Borrower's minimum age must be 60.
- Cannot accept applications taken by phone or internet, however information may be obtained from borrower by phone.



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HOMESAFE® PRODUCTS

HomeSafe® Select

- The borrower has access to an adjustable-rate product with a line of credit (LOC)
- No minimum home value but there is a minimum principal limit requirement.
- Requires a minimum upfront draw of 25% of the principal limit
- The LOC is capped at a maximum of 75% of the original principal limit plus growth
- A growth rate of 1.5% on the LOC for the first seven years
- A draw period of 10 years
- Does not allow for term or tenure payment options
- Does allow for full draw at closing
- Does not allow the borrower to bring additional funds to be added to the LOC to overfund the LOC on a purchase.

Note: On a purchase, you can fund a LOC with optional pre-payments.

- Has a \$20 monthly servicing fee (except in the state of Texas & Illinois, where there is no servicing fee)
- An adjustable rate with a floor of 5.5% or the initial rate minus 1.5% whichever is greater.



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HomeSafe® Select: Rates

The rate is based on the index as published in the Wall Street Journal. Rates update weekly on Monday afternoons. FAR publishes the margins available to the borrower after the rates are updated.

- The initial interest rate is the index plus the borrower's margin. Refer to FAR's weekly rate sheet for the current margins available. **Margins are subject to change.**
- FAR does not offer rate locks at this time, so margins are subject to change.
- The rate cap (maximum) is 5% above the initial rate.
- There are no caps on the monthly adjustment (up or down) per month.



REDRAWS AND REPAYMENTS

Twenty-five percent (25%) of the principal limit must be drawn at closing. The remaining balance is considered open-ended and is available in an LOC for future draws. Any future repayments reduce the loan balance and increase the available LOC.

After closing, if a borrower makes an additional:

- Repayment - the loan balance decreases and the LOC increases
- Redraw - the loan balance increases and the LOC decreases



OPTIONAL PREPAYMENTS

- A minimum initial draw of 25% is required.
- After closing, if a borrower makes a repayment, the loan balance decreases and the LOC increases (to the extent allowed under the product terms).
- Prepayments up to 75% increase the LOC.
- The initial LOC can never be greater than 75% of the starting principal limit.

Example: The borrower makes prepayments during the 10-year draw period.	
Principal Limit	\$1,000,000
Borrower Initial Draw	\$250,000
Line of Credit	\$750,000
75% of the principal limit	\$750,000
Note: The LOC in this example can only be greater than \$750,000 (75% of the principal limit) with the 1.5% growth rate for seven years.	

HOMESAFE OPTIONS

HOMESAFE® PURCHASE

- FAR generally follows the HECM for Purchase guidelines from HUD for HomeSafe®
- The borrower must occupy the property within 60 days of closing
- The sales price can exceed the appraised value by 10%
- Repairs must be completed prior to closing and paid by the seller
- POA if the borrower is physically incapacitated is acceptable.-Mentally incapacitated, or under a court-ordered guardianship, will be on a case-by-case basis approved by VP or higher
- FAR allows the buyer or seller to pay closing costs as specified in the contract or as is customary in the market area
- The borrower can own up to four financed properties (including the subject property).



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HOMESAFE[®] ORIGINATION GUIDELINES



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LOAN TO VALUE (LTV)

The following factors influence the LTV for each loan:

- **Age** of the youngest borrower
 - When the borrower's next birthday is within six months of closing, FAR rounds up to the higher age.
- **Product type** or **interest rate tier** chosen
 - See the current rate sheet for available tiers and rates.
- **Lowest of the appraised value, sales price, or FAR-adjusted value**



GUIDELINES THAT MIRROR THE HECM

Several requirements remain the same for HomeSafe® product as for the HECM product. These include:

IMPORTANT: View full guidelines on the FAR website in the Training tab under HomeSafe®.

Power of Attorney

Physically incapacitated
Mentally incompetent

Guardianships and Conservatorships

Note: Temporary guardianships or conservatorships are not permissible. A guardianship or conservatorship must be valid, and in force with no expiration date, so the borrower has a legal representative for the life of the loan.

Tri-Merged Credit Report

We review bankruptcy information, the borrower's information on the 1009, credit score, fraud alerts, federal debt, late mortgage payments, foreclosures, Office of Foreign Assets Control (OFAC) findings, derogatory, and credit history, and so forth.



GUIDELINES, CONT.



- FAR follows HUD guidelines for repair set-asides. We consider exceptions.
- The borrower can only have one outstanding reverse mortgage or HomeSafe® loan at a time.
- There is no prepayment penalty.
- All applicable RESPA/TILA requirements must be met.
- Underwriting reviews, the refinancing of a prior HECM loan into a HomeSafe® under the NRMLA ethics guidelines.



- The borrower cannot use borrowed funds even from his or her own insurance policy or 401K.
- Broker credits are allowed on HomeSafe® Select.
- Lender credits are sometimes available. See current rate sheet for available tiers and rates.



GUIDELINES

CHANGING FROM HOMESAFE® TO HECM

If an applicant changes from the HomeSafe® to a HECM, he or she must start completely over with a new application. In order to be compliant:

- The borrower must receive HECM counseling from a HUD-approved counselor
- The FHA case number must be ordered before HECM services are ordered
- The HECM application package contains different disclosures than the HomeSafe® application package



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GUIDELINES

CHANGING FROM HECM TO HOMESAFE®

If you have started the loan as a HECM and the borrower now wants to do a HomeSafe®, it still requires additional work but is slightly easier:

- The borrower can use the HECM counseling certificate as long as there is no NBS.
- Borrower must sign the “HomeSafe® Applicant Certification of HECM Counseling”
- Redisclosure package required
- The same appraisal can sometimes be used (requires VP or higher approval.)



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GUIDELINES

LOAN COMPARISON

The loan comparison in the application package must include the following products to avoid product steering and to ensure the borrower is presented with all product offerings.

HomeSafe®	HomeSafe® Select
HECM ARM	HECM Monthly ARM Cap 5 HECM Monthly ARM Cap 10
HECM Fixed	HECM Fixed
	HomeSafe®

Note: Products do not need to be shown to borrowers if the product is not yet available in the borrower's state.



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approved

GUIDELINES

CONDOMINIUMS: SINGLE UNIT APPROVAL

FAR can review and approve for Single Unit Approval (SUA).

If the condominium does not meet the SUA guidelines, the condominium must go through full HomeSafe® project approval.

To submit a condominium for approval:

1. E-mail the SUA request and the HomeSafe® Single Unit Approval Condo Questionnaire form to condoapproval@far.com.
2. Once you receive the needed forms, provide the SUA Document List form and the documentation to condoapproval@far.com.

FAR reviews the documentation and the financial assessment outcome and determines if the unit and borrower meet all guidelines.



HOMESAFE[®] COUNSELING REQUIREMENTS



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HOMESAFE® COUNSELING REQUIREMENTS

FAR requires all borrowers be counseled by one of the approved counseling agencies. Counseling varies by state and requires a HomeSafe®-specific counseling session by an independent FHA-approved counselor in all instances. Certain states have additional counseling requirements.

CREDIT.ORG

Consolidated Credit Solutions

Consumer Credit and Budget Counseling

Cambridge Credit Counseling Corp.

Debthelper

Horizon Counseling Inc

Greenpath Financial Wellness

Money Management

Navicore

Neighborhood Housing Services

Project Sentinel

Quick Cert

Smart Money Housing

Totally Free Inc.

Borrowers are required to pay for this counseling session out of pocket at the time of the session.

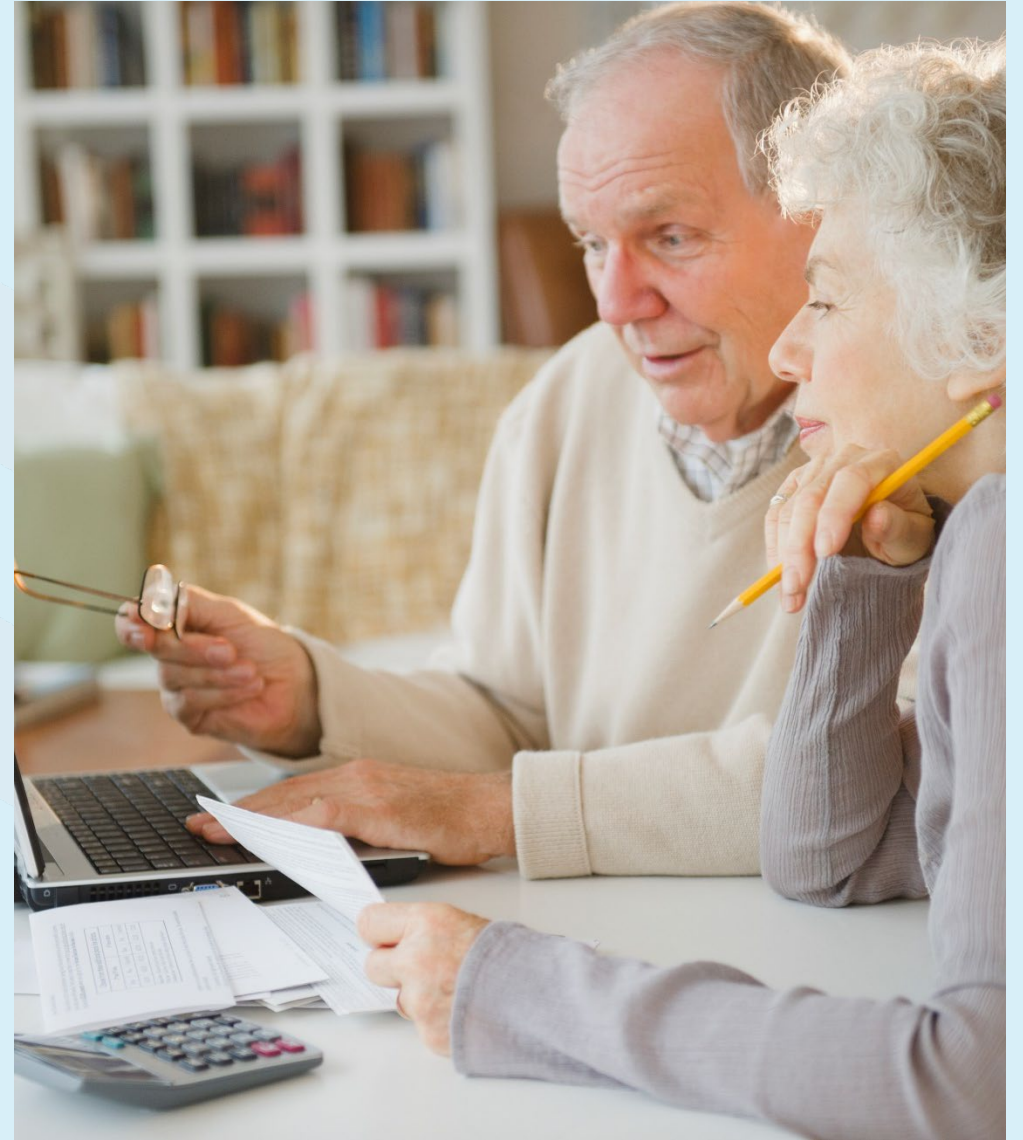
The counseling session must be completed, and the certificate must be signed and dated by all parties before the processing of the loan begins.



COUNSELING

Counseling certificates are valid for six months from the date of the counseling session unless state regulations indicate otherwise. However, if the counseling certificate was valid at the time of application the borrower can close on the loan without re-counseling, even if the counseling certificate expires before closing.

Independent state reverse mortgage counseling regulations in some states require borrowers who opt for HomeSafe® to follow a slightly different protocol.



06 FINANCIAL ASSESSMENT



FINANCIAL ASSESSMENT

Underwriting follows Financial Assessment under FHA guidelines for this product. Financial Assessment involves verifying and documenting the following:

- A Income and Assets
- B Credit history
- C Property charge payment history
- D Residual income



The following income documents must be submitted in the loan packages:

A IRS form 4506C Tax Authorization.

B Documentation of any other income sources, including alimony, child support, annuity, interest, dividend, military benefits, disability, pension, trust, or rental.

C Social Security Award Letter.



PAYING OFF DEBT WITH HOMESAFE®

Credit card debts, installment loans, judgment, and other liens shown on the borrower's credit report and/or title commitment may now be paid through HomeSafe® proceeds.

If the borrower, after paying off the mandatory credit cards in order to meet residual income:

- Has personal assets and/or remaining HomeSafe® proceeds equivalent to the anticipated property charge payment for the life expectancy of the borrower, then the loan may proceed as-is.
- Does NOT have personal assets and/or remaining HomeSafe® proceeds equivalent to the anticipated property charge payment for the life expectancy of the borrower, then the principal limit is haircut by 5%.



FINANCIAL ASSESSMENT

EXPENSE DOCUMENTATION

Expenses are identified from the credit report, Fannie Mae 1009, the most recent federal and state tax returns, and other documents that might be available:

- Expenses: Monthly obligations, property charges, and utilities.
- Monthly obligations: Any recurring debts shown on the credit report that will NOT be paid off through the HomeSafe® loan.

Note: Do not include in the residual income calculations any debt against the property that will be paid at closing from the loan proceeds.

- Property charges: Taxes, homeowners' insurance, flood insurance, ground rents, home ownership association dues, and assessments.
- Utilities: The square footage shown on the appraisal multiplied by \$0.14.



FINANCIAL ASSESSMENT

As part of the Financial Assessment process, FAR can look at:

Asset Dissipation

- Imputed income from asset dissipation in the calculation of residual income.

Extenuating Circumstances

- If a borrower fails the Willingness test, FAR considers extenuating circumstances beyond the borrower's control.

Compensating Factors

- If a borrower fails the Capacity test, FAR considers compensating factors that offset the income deficiency.





FINANCIAL ASSESSMENT

LIFE EXPECTANCY SET ASIDE (LESA)

A LESA may be a loan requirement if a borrower fails Financial Assessment. A LESA is used to set aside funds for property taxes and insurance (T&I).

*Not allowed on the HomeSafe® Second program



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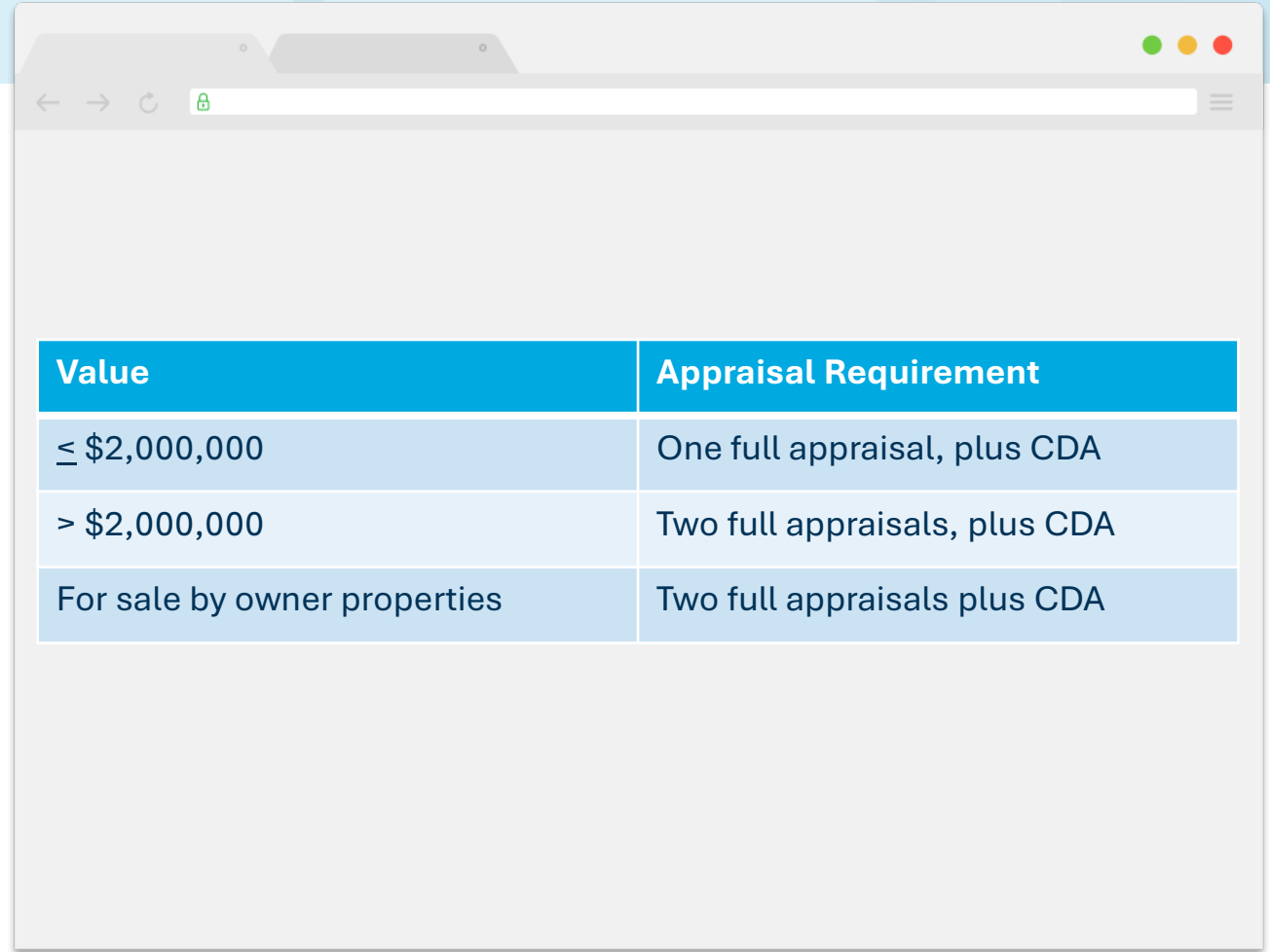
HOMESAFE[®] APPRAISAL GUIDELINES



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APPRAISALS

The appraisal must be ordered from an appraisal management company (AMC) that is on FAR's approved list. Appraisers are selected by the AMC.

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Value	Appraisal Requirement
$\leq \$2,000,000$	One full appraisal, plus CDA
$> \$2,000,000$	Two full appraisals, plus CDA
For sale by owner properties	Two full appraisals plus CDA



APPRAISAL & CDA REVIEW

After we receive both appraisals and review them:

1. The underwriter sends the report with the lower appraised value to Clear Capital for review prior to closing.
2. Clear Capital provides the Collateral Desktop Analysis (CDA) report which analyzes the quality of the appraisal report and provides an estimate of value.
 - If the CDA supports value, the loan can proceed at the appraised value.
 - If the CDA does NOT support the value, the underwriter either lowers value or requests a field review from Clear Capital, and then reconciles the two reports:
 - In the event that the CDA is unable to confirm value, FAR may require an additional appraisal, which is ordered and paid for by FAR.



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REFINANCING AN EXISTING REVERSE MORTGAGE



REFINANCE SEASONING REQUIREMENTS

HOMESAFE® TO HOMESAFE® REFINANCE

At least 12 months must pass between the closing date of the prior loan and the closing date of the HomeSafe® refinance.

“OTHER” PROPRIETARY PRODUCTS TO HOMESAFE® REFINANCE

At least 12 months must pass between the closing date of the prior loan and the closing date of the HomeSafe® refinance.

HECM TO HOMESAFE® REFINANCE

We consider HomeSafe® refinances of a HECM loan as follows:

- Less than six months
- 6 to 12 Months
- More than 12 months





REFINANCE

BENEFIT TO BORROWER

Underwriting reviews, the refinancing of a prior HECM loan into a HomeSafe® under the NRMLA ethics guidelines. The refinance must provide a “bona fide” advantage to the borrower by passing:

- Closing cost test
- Loan proceeds test
- Rate reduction benefit test



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HOMESAFE[®] SECOND



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PROGRAM GUIDELINES

- First mortgage must be a traditional fully amortizing loan
- Loan amounts up to \$4 million minus the balance of the first lien
- Non-borrowing spouses are not allowed
- No upfront or monthly mortgage insurance premium and no servicing fee
- Same non-recourse product feature as the FHA HECM product
- Not available for purchase transactions at this time
- Repair set-asides allowed



PROGRAM GUIDELINES *Continued*

- Retail and broker only
- Age 55+ except TX which is 62+
- Counseling is HomeSafe®-approved counseling
- Lump sum paid at closing (no additional draws permitted)
- Minimum loan amount \$50,000
- Maximum home value is \$10 million and there is no minimum property value.
- Flat \$3,995 origination fee
- Negative amortization
- E-Sign is available



FINANCIAL ASSESSMENT

Credit and Income Requirements

- **≥720:** May qualify for simplified financial assessment.
- **600 –719:** Full financial assessment required. FAR will allow non-mortgage installment debt to be paid off to meet financial assessment requirements. If credit card debts are paid off the principal limit will be reduced by 5%.
- **<600:** Borrower does not qualify for HomeSafe® Second
- **No credit score:** Borrowers must have a credit score from 2 of the 3 repositories. No score is considered on a case-by-case basis-needs reviewed by VP or higher.
- Borrowers who do not pass financial assessment are ineligible for the HomeSafe® Second product.

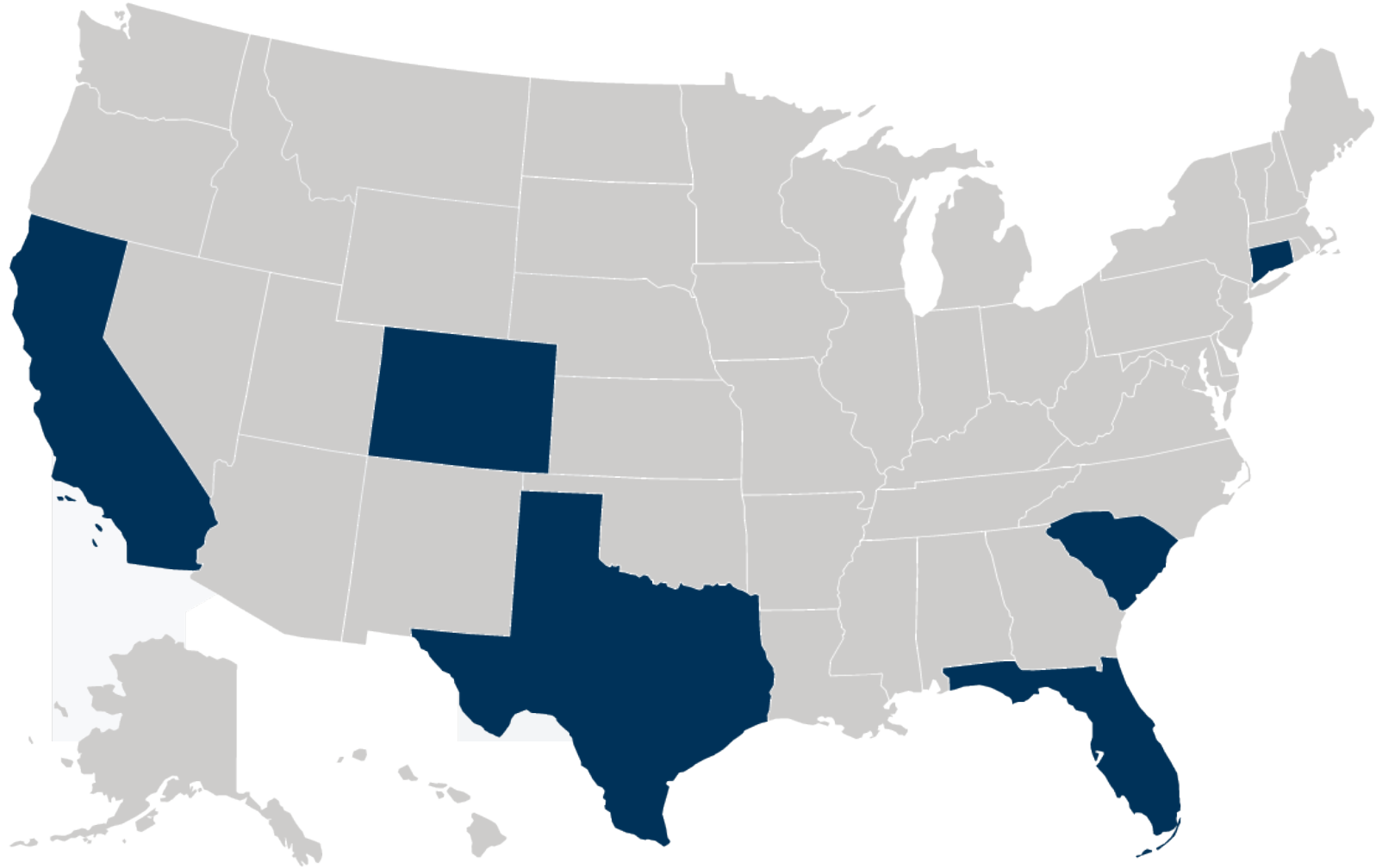


APPROVED STATES

STATE AVAILABILITY

- California
- Colorado
- Connecticut
- Florida
- South Carolina
- Texas

**In Texas, the borrower must be 62 years of age or older per state regulations.*



PROPERTY REQUIREMENTS

- Single-family residence or SFR with ADU
- PUD (attached/detached)
- Townhomes
- Condominium-FHA, SUA, FNMA or FAR-approved
- 2-4 units



FIRST LIEN REQUIREMENTS

Eligible liens that may remain in first lien position are:

- Existing forward loans with at least one borrower named as mortgagor
- Fully-amortized
- Closed-end
- Adjustable Rate First Lien must qualify at max rate per note
- Paid current and not in default or delinquent status



HOMESAFE® SECOND

INELIGIBLE FIRST LIENS

Liens that may NOT remain in first lien position are:

- Interest-only, or negatively amortized loans
- HECM or other reverse mortgage liens
- Private mortgages
- Deferred taxes under a state-allowed tax deferral program
- Texas 50 (a)(6)
- Rehab loans during the construction/draw period.
- Loans that are past due (**30 days +**) or in default status
- HELOCs that are still in the draw period.



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NEXT STEPS

- HomeSafe® Select
- HomeSafe® vs. HECM
- HomeSafe® Second



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Thank you for attending!

Questions? FAR is here for you!

Partner Engagement Team: Xcelerate@far.com

FAR Wholesale Sales Support: SS@far.com



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