



## The Basics of Reverse Mortgages

“Reverse mortgage” seems to be the new buzz word in the mortgage industry for the senior sector today. Although reverse mortgages have been around for at least a decade, their popularity has risen recently. If you are in your senior years and looking for a way to stay in your house and still pull out some needed cash, you may consider a reverse mortgage.

### **How it works:**

A reverse mortgage is a way to convert the existing equity in your home into cash. After buying your house from the bank all these years with monthly payments, a reverse mortgage allows the bank to start buying your home back from you. Your lender will give you a loan payment, which can be in the form of monthly payments, a lump sum, or a line of credit. The amount you will be paid depends on your age, the value and location of your property, and the overall cost of the loan. These funds, unlike cash from other loans, can be used for any purpose and the best part is you get to stay in your home as long as you (or your spouse) are occupying the property. Repayment of this reverse mortgage is not due until both of you vacate the home (due to death, a move, etc.) At that point the bank will take your home and sell it for repayment, or your heirs can repay the loan if they wish to keep the house.

### **The Requirements:**

The exact requirements will vary slightly from lender to lender, but there are some general qualifications.

You or your spouse must be at least 62 years old. (The older you are the more money you can pull out or receive in monthly installments.) Your home must be your primary residence and you must be living in it during the course of the reverse mortgage. The mortgage on your home must be paid off or almost paid off.

Reverse mortgages usually only apply for single family, one-unit homes, although some lenders will give loans on condos or town homes. (Mobile homes are not eligible for reverse mortgages.) Also, unlike other home loans, with reverse mortgages you do not have to meet a credit or income qualification requirement.

### **The Costs:**

As with any home loan or transaction, there are several costs involved with a reverse mortgage. These could include application fees, closing costs, insurance, appraisal fees, and monthly service fees. Getting a reverse mortgage might also negatively affect your eligibility for state or federal benefits such as supplemental security income and medicaid.

Reverse mortgages can provide a form of retirement insurance for seniors and offer security in the later years. However, there are limits on how much one can receive from a reverse mortgage, so in some cases it would be much more profitable to sell the home and move to a less expensive one. Do your homework and make sure you check into all the details of a reverse mortgage with a qualified professional before jumping into it. Contact a representative of the Federal Housing Administration to get free reverse mortgage counseling and help.