A reverse mortgage can be a fresh start

Is a reverse mortgage right for me?

Are you looking to add some extra income to your life? Do you have a lot of equity in your home? A reverse mortgage can help you get money out of your home that you can enjoy today. Depending on your circumstances, a reverse mortgage may be a great choice giving you supplemental income for the rest of your life.

Here are some questions and answers to help you determine if this is right for you.

1. Am I eligible?
Most people get a type of reverse mortgage that’s called a Home Equity Conversion Mortgage (HECM), and is backed by the US government. You have to meet some specific criteria in order to qualify for this type of mortgage. It's pretty simple, really.

The basic criteria
• At least one borrower must be 62 or older
• Home can't be worth more than $625,500
• Home must be your primary residence
• Participate in an information counseling session with HUD (your lender can help you set this up)
• Home must be well maintained
• All property taxes and insurance must be paid

2. How does a reverse mortgage work?
When you decide to get a reverse mortgage, you no longer make monthly mortgage payments. The bank pays YOU instead. You can get this money in a few ways - monthly payments, a lump sum or a line of credit. Your choice.

The bank loans you this money based on the current market value of your home. You can stay comfortably in your home for the rest of your life, enjoying supplemental income from a home you spent years paying for.

When the loan is eventually repaid – either when the home is sold or when you pass away – this includes the amount borrowed, plus any interest. At that time, the remaining equity belongs to you, your surviving spouse or heirs to your estate.
3. Is it a good idea?
Many seniors today are finding that they just don’t have the retirement funds they really need. A reverse mortgage can be a big relief offering them greater financial independence and more breathing room to enjoy their lives.

But what if you're facing foreclosure? If you have equity in your home but have fallen behind in your payments, a reverse mortgage could actually save the day and help you stay in your home after all.

The good news:
• It's not as confusing as you might think
• Enjoy supplemental income for the rest of your life
• Get cash in one lump sum, monthly payments or line of credit
• Income is tax free
• Never owe more than what your home is worth
• Keep the title
• Stay in your home
• Keep your financial independence
• Leave your home to heirs

4. What else should I know?
Reverse mortgages can be a great option for seniors with specific economic circumstances while other seniors might do better with another solution. Everyone is different so it's important to consider the key factors before delving in.

For example, what if you die and your spouse is not listed as a borrower, or has not yet reached the age of 62?

The good news is that under new laws, the surviving spouse is now able to stay in the home for the rest of their life if they choose – even if they are younger than 62. That's because the loan amount is actually based on the age of the younger spouse even if they are not on the loan itself. This way, if the spouse on the loan passes away, the remaining spouse may stay in the home and enjoy the remaining income without fear of foreclosure.

Just make sure you discuss any of your specific details with a lender because they will be able to answer any questions you may have.

If don't plan on staying in your home for a long time, be sure to take a look at the loan origination costs. Those costs are paid upfront and can be costly. So if you think you may relocate, downsize or head to a nursing home in just a few years, you’ll want to consider whether these fees makes sense in the long run.
Other things to keep in mind:
• You must still pay taxes and insurance
• Home must be your primary residence
• There are HECM loan fees involved – but you can finance them so you don't pay out of pocket

Some typical reverse mortgage questions (and items you may wish to review with your lender)

What are the typical fees?
The minimum fee for HECM is $2500 with an overall cap of $6000. Other fees include appraisal, and other closing costs such as title search and insurance, surveys, inspections and recording fees. For more specific fee details, talk to your lender.

What about scams?
They used to be a bigger concern. A few years ago, there was a lot of press about scams by shady ‘rogue’ lenders. But because HECM loans are backed by the government, they were not – and are not – a part of this issue. We have an extensive network of quality lenders that you can trust.

What if I need to move to a nursing home and I have a reverse mortgage?
It depends. If you need to go a nursing home for a short time (anything less than 12 months), you can return to your home. If, however, you make a permanent move (longer than 12 months) to a nursing home, you most likely will have to sell your home to pay off the reverse loan.