Frequently Asked Questions for Reverse Mortgage

What is a reverse mortgage?

A reverse mortgage is a loan that enables senior homeowners, age 62 and older, to convert part of their home equity into tax-free* income—without having to sell their home, give up title to it, or make monthly mortgage payments. The loan becomes due when the last borrower (s) permanently leaves the home.

How is a reverse mortgage like a home equity loan? How is it different?

Both a reverse mortgage and a home equity loan use the equity you have built up in your home to provide you with readily available cash.

They differ in that with a home equity loan you must make regular monthly payments of principal and interest. However, with a reverse mortgage you do not make any required monthly mortgage payments for as long as you stay in the home.

Can my current income influence my ability to get a reverse mortgage?

No. Since reverse mortgage borrowers need not make monthly repayments, there are no income qualifications.

What are the advantages of a reverse mortgage?

There are many. Here are a few of the most significant:

- **Remain independent**
- **Stay in your home**
- **No monthly mortgage payments required**
- **Tax-free money**
- **Freedom and flexibility**

I've heard that with a reverse mortgage the lender would own my home. Is this true?

It's false. The borrower retains title to the property. The reverse mortgage lender is merely extending a loan to the borrower.

Because the homeowners retain title, they remain responsible for the payment of property taxes, hazard insurance, and maintaining the home in reasonable condition - just as they would with a standard first mortgage or home equity loan.

Can I refinance a reverse mortgage, as I would be able to do with a traditional home mortgage?

Yes. Refinancing can make sense if your home either increases in value, the interest rates drop or the maximum lending limit increases. Keep in mind that when deciding to refinance a reverse mortgage, it is important to compare the amount of benefit versus the cost of the loan before making this decision. The amount of benefit received should be twice the amount of the cost to refinance the loan.

Can a reverse mortgage lender take my home away if I outlive the loan?

No they cannot. And the loan is not due at that time either. In fact, you don't need to repay the loan as long as you or another borrower continues to live in the house as the primary residence and keep the taxes paid and hazard insurance in force.

How do you determine the amount of cash I am eligible for?

The amount you can borrow depends on several factors, including your age, the type of reverse mortgage you select, current interest rates, the appraised value of your home and FHA's lending limits for your area. In most cases, the older you are, the more valuable your home, and the less you owe on it, the more money you can get.

Are there any limits on how I use the money I receive from a reverse mortgage?

You can use the money for virtually anything you choose, from daily living expenses, home improvements, healthcare expenses, paying off existing debts, or simply enhancing your retirement years. For many people, the money provides a "financial security blanket," in case unexpected expenses arise. It is important to know that with adjustable rate mortgages, an increase in the interest rate could affect the amount of money available to borrow in the future and the amount of money owed when the loan becomes due.

Is there a choice in how I receive the cash from my reverse mortgage?

Most definitely. With most reverse mortgages you have a wide range of payment options, one of which may be ideal to meet your financial needs.

- **You can choose to receive the money all at once, as a lump sum.**
- **You can receive equal monthly payments as long as one of the borrowers lives and continues to occupy the property as a principal residence.**
- **You can choose to receive equal monthly payments for a fixed period of months.**
- **You can get a line of credit, which allows you to take funds at times and in amounts of your choosing until the line of credit is exhausted. This is the most popular option, chosen by more than 60% of reverse mortgage borrowers.**
- **You can opt for a combination of line of credit with monthly payments for as long as the borrower remains in the home.**
- **Or, finally, you can choose a combination of the above.**

Who can qualify for a reverse mortgage?

Seniors 62 years of age or older may qualify. There are virtually no income or credit qualifications.

I still owe money on a first or second mortgage. Can I still get a reverse mortgage?

Yes. You may be eligible for a reverse mortgage even if you still owe money on a first or second mortgage. The funds you would receive from the reverse mortgage would be used to pay off whatever existing mortgages you have on the property.

Can I get a reverse mortgage on a second home or resort property I own?

Unfortunately no. Reverse mortgages may only be taken out on your primary residence.

What kinds of homes are eligible for a reverse mortgage?

First and foremost, the reverse mortgage must be on the borrower(s) primary residence, that is, where they live most of the year. Most reverse mortgages are taken on single family, one-unit homes. Some programs also accept two-to-four unit buildings that are owner-occupied. Some programs offer reverse mortgages on condominiums and manufactured homes built after June 1976. Mobile homes and cooperatives are generally not eligible for a reverse mortgage.

Would a home that is in a "living trust" be eligible for a reverse mortgage?

Yes. In most cases a homeowner who has put his or her home in a revocable living trust can usually take out a reverse mortgage. A review of the trust documents would be conducted by the reverse mortgage lender to determine if anything in the living trust would be unacceptable.

Are all reverse mortgages the same?

No, below are the basic types of reverse mortgages: Federally insured reverse mortgages. Known as Home Equity Conversion Mortgages (HECM), they are insured by the U.S. Department of Housing and Urban Development (HUD). They are widely available, have no income requirements, and can be used for almost any purpose. Government-sponsored reverse mortgages. A Home Keeper® is Fannie Mae's conventional market alternative to the Home Equity Conversion Mortgage (HECM). It is a government-sponsored enterprise program and works like a

HECM loan in many ways. However, a Home Keeper® reverse mortgage addresses a few needs that are not met by HECM loans, such as individuals with higher property values, condominium owners, and seniors wishing to use a reverse mortgage to purchase a new home.

When will I have to pay the principal and interests cost of this loan?

Your reverse mortgage loan becomes due when one or more of the following conditions occurs: (a) the last surviving borrower passes away or sells the home; (b) all borrowers permanently move out of the home; (c) the last surviving borrower fails to live in the home for 12 consecutive months; (d) the borrower fails to pay property taxes or hazard insurance; (e) the borrower does not maintain the home in reasonable condition.

What is a non-recourse loan?

A non-recourse loan is a home loan in which a lender may look only to the value of the home for repayment of the loan; no other assets may be attached if the loan balance grows beyond the subject property home value.

If I take a reverse mortgage, will I still have an estate that I can leave to my heirs?

When you sell your home or no longer use it as your primary residence, you or your estate must repay the lender for the cash received from the reverse mortgage, plus interest, monthly service fees and any other accrued costs. Any remaining equity belongs to you or your heirs. It's important to remember that you can never owe more than the fair market value of the home when it is sold. None of your other assets will be affected by your reverse mortgage loan.

When the loan is due, will I ever owe more than my home is worth?

If the borrower or heirs/estate do not wish to retain ownership of the property upon loan maturity, the borrower or heirs/estate will not be required to pay more than the home is worth upon loan maturity.In the event the borrower or heirs/estate decide to keep the home upon loan maturity, the borrower or heirs/estate will be responsible for the full amount owed.

What fees are involved in a reverse mortgage?

Most reverse mortgages have an origination fee, third party closing costs (such as appraisal, title and escrow), insurance, and a monthly servicing fee. These charges can be paid from the proceeds of the reverse mortgage, resulting in no immediate burden to the borrowers; the costs are added to the principal and paid with interest when the loan becomes due.

Are reverse mortgage interest rates fixed or variable?

Most reverse mortgages extended to seniors to date have variable rates that are tied to a financial index and will vary according to market conditions.