

# Reverse Mortgages

## What is a reverse Mortgage?

A reverse mortgage is a special type of a residential mortgage loan that enables homeowners over 62 years to convert a portion of the equity they hold in their homes into ready cash. Best of all, there is no repayment requirement until the seniors no longer occupy the home as their primary residence.

## Who Qualifies for this Program?

- ★ All homeowner(s) must be 62 years and older.
- ★ Homeowner(s) must occupy the home as their primary residence
- ★ Homeowner(s) have no mortgage or a mortgage balance that can be paid off from the proceeds of the reverse mortgage loan.
- ★ Homeowner's property is a fee simple home, apartment up to four units or an FHA approved condominium (not a co-op).
- ★ Some leasehold properties qualify if the proceeds from the reverse mortgage are used to purchase the fee interest.
- ★ Property held in a revocable trust or life estate is eligible. (most repairs/ painting can be completed from funds obtained from the reverse mortgage loan).

## How do Seniors receive loan funds?

- ★ Lump sum - the entire loan amount in one cash advance payment at closing.
- ★ Tenure - Monthly cash advance for as long as the senior occupies the property.
- ★ Term - Monthly cash advance for a specific time period.
- ★ Line of credit - A credit line that the borrower(s) can draw on as needed.
- ★ Combination of the options above.

### **Why a reverse mortgage instead of a convention or equity line?**

- ★ The borrower also retains ownership of the property.
- ★ There are no asset, income or credit qualifications to obtain this loan, just sufficient equity.
- ★ There is no monthly repayment on this loan for as long as the borrower(s) occupy the property as their primary residence.
- ★ There are no restrictions on the use of the funds; the borrowers are free to use the proceeds from the reverse mortgage as they wish.
- ★ Loan proceeds are not considered "income" and do not affect Social Security or Medicare benefits.
- ★ Repayment of the loan is limited to the outstanding balance of the reverse mortgage loan or the selling price of the property and no more. The borrowers' heirs are never asked to pay any deficiency. Any left over equity after paying off the loan belongs to the borrowers' estates or their heirs.
- ★ Heirs may keep the home by paying off the outstanding reverse mortgage loan or by paying the selling price of the home, whichever is less.

### **How is the amount calculated and how much may seniors obtain through a reverse mortgage?**

The loan amount is determined by the age of the youngest borrower, the interest rate and the value of the property up to the FHA county maximum value. The older the borrower the greater the loan amount, the younger the borrower the lesser the loan amount.

Loan amounts are based on the value of the home (or the FHA maximum value) and the ages of the borrowers. For example, estimated loan amounts for which seniors may qualify, based on an expected interest rate of 6.50% and a property valued at \$545,000 would be as follows:

Age	Lump Sum	Per Month
65	\$269,749	\$1,698
70	\$298,240	\$1,956
75	\$328,442	\$2,291
80	\$360,389	\$2,760
85	\$391,405	\$3,480

### **How much does it cost?**

The cost of this loan is higher because there is an initial FHA insurance premium collected upfront. This insurance is paid to Housing and Urban Development to ensure the homeowner can remain in the home even if the balance of the loan exceeds the value of the property.

### **Top Reason Seniors Choose Reverse Mortgages.**

- ★ Early inheritance
- ★ Payoff existing mortgage and eliminate monthly mortgage payment
- ★ Provide additional income
- ★ Home healthcare or other healthcare needs
- ★ Establish a line-of-credit account to help pay for major or unexpected expenses
- ★ Prevent foreclosure
- ★ Home repairs and remodeling
- ★ Automobile purchase
- ★ Travel
- ★ Freedom to enjoy golden years
- ★ Security of having available funds should they ever need it