



NATIONAL FOUNDATION FOR
CREDIT COUNSELING

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make all the difference.*

NFCC PRESS RELEASE

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REVERSE MORTGAGE COULD BE THE RIGHT ANSWER FOR CASH-STRAPPED SENIOR

Silver Spring, MD – Many older Americans find themselves house rich and cash poor. They own their home, or at least have significant equity in it, yet struggle to make ends meet each month. They could sell their home, but are not inclined to move and leave their memories behind.

A reverse mortgage may be the answer they seek. A reverse mortgage is a loan against your home that you do not have to pay back for as long as you live in your house. It basically converts your equity into cash, with no repayment required until the borrower no longer uses the home as his or her principal residence.

One version of this product is the Federal Housing Authority's Home Equity Conversion Mortgage (HECM) which allows borrowers 62 and over to withdraw some of the equity in their home, providing a much needed financial boost to their income. However, the home must be a single family home or a one-to-four unit home where the borrower actually lives. Additionally, a HUD-approved condominium or manufactured home that meets FHA guidelines may also be eligible.

There are no restrictions on personal income, but the amount you can borrow does depend on your age, the current interest rate, the appraised value of your home or FHA's mortgage limits for your area, whichever is less. Generally speaking, the more valuable your home is, the older you are, the lower the interest rate will be and the more you can borrow.

Seniors can use the money as they see fit, for example, for emergencies or medical expenses, to make home improvements, or to pay off debt. Homeowners will still be responsible, however, for the taxes and insurance associated with the property.

One requirement to receiving a HECM is that the borrower meets with a HUD-approved housing counselor who has passed a special HECM exam prior to obtaining the loan. This is a protection to the consumer, as the terms and options associated with a reverse mortgage can be complicated. For instance, consumers need to fully understand that the up-front costs can be quite steep, and that money received from a reverse mortgage can be counted as income or an asset that restricts eligibility to some government programs. A reverse mortgage may not be your best option, and the counselor's role is to review all the options available to you.

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“Reverse mortgages are the perfect solution for some people, but not all. At your counseling session, feel free to keep asking questions until you completely understand the reverse mortgage product,” comments Gail Cunningham, spokesperson for the National Foundation for Credit Counseling (NFCC). “And, be sure to inquire if there might be a better option for you. If your financial need is short-term, there may be community programs that can help.”

The NFCC Member Agencies have close to 500 certified HECM counselors. If you’re considering a reverse mortgage, talk through your options with an NFCC Member Agency certified housing counselor. To be automatically connected to the agency closest to you, call toll free (800) 388-2227, or to find a counselor online, visit www.DebtAdvice.org.

- 30 -

The National Foundation for Credit Counseling (NFCC), founded in 1951, is the nation’s largest and longest serving national nonprofit credit counseling organization. The NFCC’s mission is to promote the national agenda for financially responsible behavior and build capacity for its Members to deliver the highest quality financial education and counseling services. NFCC Members annually help four million consumers through close to 830 community-based offices nationwide. For free and affordable confidential advice through a reputable NFCC Member, call (800) 388-2227, (en Español (800) 682-9832) or visit www.nfcc.org. Visit us on Facebook at <http://www.facebook.com/NFCCDebtAdvice> and on Twitter at <http://twitter.com/NFCCDebtAdvice>.