

What is a reverse mortgage?

While many seniors would prefer to stay in their homes, they too often find it hard to cover everyday expenses, especially when those costs include some kind of medical condition. For some, using home equity to pay for these and other expenses is a viable option. In the current environment, reverse mortgages are also increasingly being used as a way for seniors to refinance their homes and avoid foreclosure.

Reverse mortgages are loans that allow homeowners aged 62 and over to convert home equity into cash while living at home for as long as they want. Borrowers continue to own their homes and do not need to make any monthly payments. Instead, they can choose to receive the funds in a variety of different ways: lump sum, line of credit, or as monthly payments (for up to life in the home). The loan comes due only when the last borrower moves out, dies, or sells the home.

Borrower Requirements

- 62 years of age or older;
- Own the property outright or have a small mortgage balance;
- Occupy the property as your principal residence;
- Not be delinquent on any federal debt; and
- Participate in a consumer information session given by an approved reverse mortgage counselor.

Mortgage Amount Based On

- Age of the youngest borrower;
- Current interest rate; and
- Lesser of appraised value or the HECM FHA mortgage limit.

Financial Requirements

- No income or credit qualifications are required of the borrower;
- No repayment as long as the property is your principal residence; and
- Closing costs may be financed in the mortgage.

Property Requirements

- Single family home or 1-4 unit home with one unit occupied by the borrower;
- HUD-approved condominium; and
- Manufactured home that meets FHA requirements.