Is a **Reverse Mortgage** right for you?

A reverse mortgage is a special type of loan for homeowners, where at least one homeowner is age 62 years or older, that enables you to turn the equity in your home into cash or additional monthly income. Unlike a home equity loan, you don't have to pay back the money as long as you remain in your home. However, before you obtain a reverse mortgage, you should carefully consider whether it's right for you.

How They Work

Reverse mortgages are a financial planning tool in which a lender grants a line of credit, a lump-sum, a monthly income or some combination in which the borrower does not make payments until the last living borrower dies, sells the home or permanently moves away, including moving to an assisted living facility or nursing home. When one of these events occurs, the loan, including interest and other fees, becomes due. Because no monthly payments are made, the amount owed increases over time due to the accumulation of interest thus reducing the remaining equity upon the sale of the home. However, you will never owe more than your home's value at the time the loan is repaid. There is also no requirement for the home to be sold upon the event of death or moving if the family or the estate chooses to repay the reverse mortgage without selling the home. The maximum repayment for the reverse mortgage is up to 100% of the value of the home. Since reverse mortgage borrowers continue to own their homes, they must pay for property taxes, insurance and repairs. If they don't, the full loan may become due.

Who Offers Reverse Mortgages?

Reverse mortgages are offered by mortgage companies, banks and other financial institutions. To find a reverse mortgage lender contact the U.S. Department of Housing and Urban Development (HUD) at www.hud.gov/ll/code/llplcrit.html or the National Reverse Mortgage Lenders Association at www.reversemortgage.org.

Reverse mortgages are also offered by state and local governments. These are called "public sector" loans and generally must be used for specific purposes, such as home repairs or property taxes. "Private sector" reverse mortgages offered by banks or other institutions can be used for any purpose.

Who's Eligible?

In order to be eligible for a reverse mortgage, a single borrower must be at least 62 years old or at least one person in a married couple must be 62 years old; the home must be their principal residence; the home should be owned debt free or have a large amount of equity; and there should not be any tax liens. All owners listed on the deed of the home must sign the loan documents.

Before obtaining a reverse mortgage you should ask:

Do you really need a reverse mortgage? Generally, reverse mortgages are used to supplement income, pay health care expenses, pay off debt or finance home improvements. However, there are no restrictions on how the proceeds from a reverse mortgage are used except in the case of "public sector" loans.

How expensive is the loan? Typically, the interest rates, closing costs and fees are higher on a reverse mortgage than for a traditional mortgage. These upfront costs would be prohibitive for you if you plan to sell the house within the first few years of obtaining the reverse mortgage. This type of loan makes the most sense if you intend to live in your home for an extended period. Also, you will be eligible for a greater portion of your home's equity in your reverse mortgage as you get older. So you would want to consider the amount of reverse mortgage available to you compared to the expense of obtaining the loan.

Would a home equity loan be more appropriate? A home equity loan may be a more affordable means to borrow against your equity, but it may require monthly payments.

What if you face future emergencies like home repairs or relocation to an assisted living facility? A reverse mortgage loan requires that you continue to maintain and repair your home as needed and you are responsible for paying back the loan if you no longer live in the home.

How will paying off the loan affect my estate? Most lenders automatically allow 90 to 180 days if the heirs opt to sell the home. Lenders are prohibited from attempting to use your other assets or assets of your heirs to repay the loan. Speak to family members, your attorney and your financial institution to be sure a reverse mortgage is the right solution for you.

For more information, please contact:
Florida Department of Financial Services
Division of Consumer Services
Toll-free Consumer Helpline
1-877-MY-FL-CFO (1-877-693-5236)
www.MyFloridaCFO.com/Division/Consumers

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