

Income for Retirement? Reverse Mortgages



What's the Difference?

Reverse Mortgage

- Must be at least 62 years old
- Secured by your house
- You receive monthly income *from* the lender
- Interest rates and loan costs average higher than home mortgages
- The loan is not paid off until the owner moves or dies
- Equity in the house may decrease over time

Home Mortgage

- No age requirement
- Secured by the house
- You make monthly payments *to* the lender
- Interest rate and loan costs vary
- The loan is paid off in prearrange length of time
- Equity in the house may increase over time

Is a Reverse Mortgage the Answer for You?

- A reverse mortgage can supplement retirement income of the borrower, since the bank pays a certain sum a month (based on the age of the borrower and the worth of their home) to the borrower for as long as they live in the house.
- It's very important that anyone considering this loan discuss it with their children, or heirs, so they understand their repayment obligations, since the loan is not repaid until the borrower leaves their home (from death, moving into a retirement home, etc.). The loan is paid from the proceeds in the sale of the home.
- Interest rates and fees involved in a reverse mortgage are generally higher than that of a home mortgage.
- Review all associated costs including appraisals, mortgage insurance, origination fees, closing costs, and any monthly servicing fees or charges before deciding to take out a reverse mortgage.
- Most reverse mortgages require an annual certification that the homeowner/borrower is still living in the home and that upkeep of the home is being maintained (including all taxes and insurance).
- The U.S. Department of Housing and Urban Development (HUD) offers a guaranteed (through the FHA) reverse mortgage, known as a Home Equity Conversion Mortgage (HECM).
 - The loan offering through HUD is your safest option, if you decide a reverse mortgage is for you.
- The borrower must complete counseling to ensure they are fully aware of all options available to them (both public and private) and the ramifications of the reverse mortgage to themselves, their heirs and their estate.
 - Credit Advisors Foundation is certified to provide this counseling, call (800) 942-9027 for more information



www.creditadvisors.org