REVERSE MORTGAGE

Frequently Asked Questions

What is a Reverse Mortgage?

A reverse mortgage, or HECM, is a government-insured loan program which allows homeowners 62 and older to access a portion of their home's equity.

What Does HECM Stand For?

HECM stands for Home Equity Conversion Mortgage and is the only type of reverse mortgage insured by the Federal Housing Administration.

Who is Eligible for a Reverse Mortgage?

Homeowners at least 62 years of age with equity in their homes who want to eliminate existing mortgage payments or receive additional cash.

Do Both Spouses Need to be 62?

No. Only one borrower needs to be 62, but loan proceeds are based on the younger homeowner’s age.

Does the Loan Limit Cash-Out Use?

No, you can use the money for monthly bills, medical expenses, home renovations—anything you want!

Do Some Homes Not Qualify for a Reverse Mortgage?

Yes. Vacation homes, secondary residences, and rental properties of more than four units do not qualify for a reverse mortgage.

What Upfront Costs Come with the Loan?

Most costs are financed as part of the loan. Borrowers will pay the counseling fee of approximately $125. An appraisal fee will be required depending on mortgage balance and value of home.

How is the Loan Repaid?

When the loan comes due when the last surviving spouse moves out of the home or passes away. The heirs will have a total of 12 months to make the decision if they want to keep the home and refinance it into their name or put the home up for sale.

Can I Owe More than the House is Worth?

No, a reverse mortgage is a non-recourse loan, meaning the original owner never owes more than the home is worth – this is why all reverse mortgages are federally-insured.

When does the Loan Come Due?

The loan is due and payable when the last remaining borrower sells the property, permanently leaves the home, or passes away.

Eligibility For a Reverse Mortgage

To be eligible for a HECM reverse mortgage, the Federal Housing Administration (FHA) requires that all homeowners be at least age 62.

The home must be owned free and clear, or all existing liens must be satisfied with proceeds from the reverse mortgage.

If there is an existing mortgage balance, it can be paid off completely with the proceeds of the reverse mortgage loan at closing. Generally, there are no credit score

Difference between a Reverse Mortgage and a Home Equity

A home equity loan, a second mortgage, or a home equity line of credit (HELOC) have strict requirements for income and credit scores. Also, with other traditional loans the homeowner must still make monthly payments to repay the loans.

A reverse mortgage generally has no credit score requirements and instead of making monthly mortgage payments, the homeowner receives cash from the lender.

With a reverse mortgage the amount that can be borrowed is determined by an FHA formula that considers age, the current interest rate, and the appraised value of the home. Typically, the more valuable the home, the higher the loan amount will be, subject to lending limits.

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Home Eligibility

Your home must be a single-family residence in a 1- to 4-unit dwelling, or an FHA-approved condominium.

You Own Your Home

You will still own your home and you can stay in it for as long as you wish, provided you pay your taxes, insurance and maintain the home according to FHA requirements.

Homeowners Insurance and Property Taxes

Since you still own your home with a reverse mortgage loan, you’re responsible for the general maintenance and upkeep as well as for paying all ongoing property taxes and insurance. You can often pay for these expenses with funds from your reverse mortgage loan.

Is it Tax Free?

Yes, the money you receive is not considered income, and therefore it is tax-free.

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