**Campaign Topic- Can I use a Reverse Mortgage to buy a home?**

Can you use a reverse mortgage to buy a home? The short answer is yes, but the long answer requires more extensive research. Before discussing the process, let’s first define what a reverse mortgage is.

**What exactly is a reverse mortgage?** A reverse mortgage is a loan that is awarded based on a few qualifying factors. This loan is only awarded to individuals who are 62 years of age or older. Therefore, it is a loan that exclusively benefits seniors. A reverse mortgage allows homeowners to convert part of the home’s equity into cash. Other qualifications for a reverse mortgage include, but are not limited to:

* Current value of the property
* Balance on existing mortgage loans
* Interest rates

**Why was this specific loan created?** Mainly as a way to help retirees who have limited income. While decreased income occurs in conjunction with retirement for almost everyone, certain retirees may struggle more than others when it comes to bill payments. Furthermore, a reverse mortgage, by design, helps seniors to tap into funds that have, over time, accumulated in their home.

**How does a reverse mortgage differ from a traditional mortgage?** Here is the fundamental difference between the two: A traditional mortgage is used to buy or refinance a home. On the contrary, a reverse mortgage allows for recipients to receive a cash payment based off of property they already own. While reverse mortgages may be a bit rarer in the home buying realm, they still can assist retirees when it comes to making a purchase.

**Let’s talk about the HECM for purchase program.** The HECM for Purchase Program makes the process of purchasing a new home for senior citizens a more seamless process. The program essentially streamlines the home-buying and selling processes by combining them into a single transaction. The program aids in assisting seniors who wish to reduce their cost of living. If you qualify for a HECM purchase loan, you will not need to pay a monthly mortgage bill. As a matter of fact, you will not need to pay back your home loan unless you move out. Additionally, this is a loan that does not charge interest, and therefore, you won’t be blindsided by any surprise fees further down the road.

**The process of using a reverse mortgage to *refinance* a home is almost exactly the same as using it to *purchase* a home.** The key difference is that the money received from the reverse mortgage will be acquired from the home you are purchasing, and *not* the home you are selling. Like a traditional loan, you will need to meet the basic requirements in order to receive an HECM. Reputable lenders will be able to determine rather quickly, your eligibility. In many cases, a lender can determine the loan prior to drawing up an actual contract.

**What are some of the benefits and drawbacks when it comes to buying a home using an HECM loan?** The good news is that vetting for HECM loans is relatively simple. Employment income is no longer an issue, nor are other avenues of income, or, net worth. Typically, the rates on HECM loans are more favorable, for seniors, than other loans. While there are considerable benefits to an HECM loan, it still pays to err on the side of caution. Ask yourself some questions about your current standing. For example, will the profit from the sale of your current home be adequate for the new home you wish to buy? Remember that an HECM loan is awarded exclusively in the form of a cash payment.

**How does a senior prequalify for an HECM loan?** A good time to start the prequalification process is when you’ve identified a house you wish to purchase. At this point, knowing exactly how much of a down payment you need will help determine if you’ll prequalify. It’s also possible to gauge prequalification, when a client has determined the maximum amount of funds, they are willing to put toward a down payment. At this point, the lender can calculate the maximum sales price of homes that will comfortably fit into the buyer’s budget. In both of these circumstances, by providing the necessary information, the lender will be able to quickly and efficiently map out the options available for the buyer.

**Take a moment to map out your future goals, and determine if buying a home is the next logical step.** It’s always best to exercise caution when it comes to making a major home owning decision. Before going forward with an HECM loan, or any loan for that matter, consider your options. Senior citizens often have the luxury of time on their side. Any long-term investment will benefit from thorough research and having a clear understanding of the various choices.

**Still not sure if a HECM loan is the best course of action? Consult with your lender.** Lenders are able to fill in the blanks and have the knowledge required to help you make the best financial decision. If you’re unsure of which direction to take, speak with your lender. Getting a second opinion when it comes to a commitment like homeownership is in your best benefit. You’ll never regret putting in the extra time when it comes to research.

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