

Dangers of A Reverse Mortgage

There are 10,000 Baby Boomer's turning 65 years of age every day in United States. Many are struggling to find additional money to supplement their lifestyles. One of the most common ways to do this is to leverage their home through a reverse mortgage because this their most single and largest asset. Baby Boomers and Seniors are bombarded by the media and celebrities to get a reverse mortgage. However, getting a reverse mortgage has many dangers and pitfalls to many borrowers. Every month Foreclosure Lists across the nation are littered by the hundreds with reverse mortgage foreclosures because the consumer of these products is **Not** educated. Many consumers use the money they receive for remodeling, trips, paying off debt, the list goes on. This can create many difficulties for the borrower such as, their ability to pay on-going expenses or having medical problems; therefore, moving to a care center and losing the home due to defaults in the reverse mortgage agreement.

UnMortgage Advisors is dedicated to helping the consumer avoid these mistakes and losing the largest asset that they own.

After you read all the [Dangers on A Reverse Mortgage](#) please give UnMortgage Advisors a call and make an appointment with one of our experienced advisors to discuss an alternative to the reverse mortgage to supplement your income without frustration and worry.

The Rules and Obligations!

A reverse mortgage is a loan that uses your home as collateral. These "loans" are different in several ways, leading into the "reverse" part of the name

1. You receive money instead of paying money to the lender each month.
2. The amount of your loan grows over time, as opposed to shrinking with each month payment.

Qualifying: You must be at least 62 years of age. You need at least 50% equity in your home. You can Not have large debt in your portfolio. You must have enough income or saving to pay for ongoing expenses. You must live in the home full time.

Age: the age of the youngest borrower on the loan will affect how much you get. The minimum age for a reverse mortgage is 62 years of age.

Equity: the more equity you have in your home, the more you will be able to take out. FHA does an appraisal on your home. This is generally 70% of the home value. You can then borrow between 40% - 49% of that value.

Interest Rates: there is several factors that determine your interest rate: however, it usually runs close to 6%. You can also get an adjustable rate. Remember you are paying interest on any money that you have taken through a reverse mortgage and it must be paid back along with the principle. This becomes very difficult if you plan on leaving your home to your heirs because the debt is growing over time. You just don't notice it.

Loan Origination Fees: The lender can charge the greater of \$2500 or 2% for the first \$2000,000 of the home's value plus 1% of the amount over \$200,000. HECM loan origination fees are capped at \$6000.

Servicing Fees: Lenders or their agents provide servicing throughout the life of the reverse mortgage. Those services include sending you account statements, disbursing loan proceeds and making sure that you keep up with loan requirements such as paying real estate taxes, hazard insurance premiums and HOA fees. Lenders or their agents can charge a monthly servicing fee of no more than \$30, if the loan has an annually adjusting interest rate or a fixed interest rate. If the interest rate adjusts monthly the lender or agent can charge no more than \$35.

Insurance Premiums: HECM's are backed by the FHA. This reduces the risk for the lender so the homeowner pays a premium to the FHA. The initial mortgage insurance premium (MIP) is between 0.5% and 2.5 percent and then you will pay an annual fee of 1.25% of your loan balance.

First Mortgage: If you still owe money on your home you will need to pay this mortgage off in full. Most homeowners use the money that they receive out of the reverse mortgage. Beware of this situation. Remember that when an FHA appraisal is done at 70% of the current value of your home and then you will only be able to borrow 40% to 49% of the home's value. If you owe a large sum of money on the home that may not leave but a small sum of money for you to use for your supplemental income plus, you must comply with all requirements of the mortgage.

Example:

\$200,000- FHA Appraisal

\$140,000- 70% of FHA Appraisal

\$56,000 \$68,000 - 40%-49% Total Allowable Monies to Borrow on Your Home

Are you willing to Risk the largest asset that you own to borrow only 28% to 34% of the homes full value?

Re-Occurring Expenses: You must have and prove the ability to continue to pay for ongoing expenses related to your home. You will have to prove that you're are capable of keeping up with expenses such as taxes, insurance, HOA fees and the maintenance of the house so that it will retain its value.

Counseling: Before your HECM is funded you must attend a “consumer information session” with a HUD- approve HECM counselor. They are supposed to provide unbiased information about the product; however, you should remember that HUD is making a profit off this mortgage and they are not likely to tell you the pitfalls of a reverse mortgage.

Medicaid: Medicaid considers a reverse mortgage as income and is therefore eligible income and can be used to pay down any medical expenses that you might incur in your years of retirement.

Repayment: A reverse mortgage is repaid through the sale of the home. After your death, the home goes on the market. If you owe less on the debt you will get to keep the difference. If you plan on leaving your home to your heirs because the debt is growing over time. You just don’t notice it. If the loan balance is higher than the home’s value your heirs will need to come up with a large sum of money to keep the house in the family.

Foreclosure: You can lose your home if you do Not pay your taxes, insurance, HOA fees or maintain the property. You can lose your home if you must move or leave your home for more than 6 months and 1 day or 12 months and 1 day depending on the reverse mortgage. If you are planning or think you may need to move in the next 5 years to a retirement home or other destination you will lose your home and possible any equity that is left in the home.

The Good News!

None of the of the rules above apply to an UnMortgage Advisors program plan! Take a few minutes right now and call us to schedule a time when an experienced advisor can come meet with you and give you a Free home evaluation and discuss your alternative to a reverse mortgage.

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