What is a Reverse Mortgage?

TOP 3 THINGS TO KNOW ABOUT A REVERSE MORTGAGE

A reverse mortgage (also called a "home equity conversion mortgage" or "HECM") is a mortgage loan made by a private lending institution such as a bank, credit union, or mortgage company. The loan is insured by the Federal Housing Administration (FHA), which is a division of the US government. You are not required to make monthly mortgage payments. Any interest you owe is simply added to your loan amount. Here's how it works:

1 YOU MUST BE AT LEAST 62 YEARS OLD TO QUALIFY.

Assume you are 62 years old. You would likely qualify for a loan amount that represents 50% of your home value:

- If your home is worth $500,000, you would likely qualify for a loan or line of credit in the $250,000 range. This would leave you with about $250,000 of equity remaining in the home.
- If your home is worth $1,000,000, you would likely qualify for a loan or line of credit in the $500,000 range. This would leave you with about $500,000 of equity remaining in the home.

2 USE THE FUNDS FOR ANY PURPOSE.

This includes:

- Buy a new home or car without worrying about monthly payments
- Pay off an existing mortgage or other debts and eliminate those monthly payments
- Pay for in-home care for yourself or a loved one
- Delay social security so you can get your full benefits
- Go on a dream vacation or create experiences that would otherwise not be possible
- Preserve your retirement assets or make new investments

3 WHAT'S THE WORST-CASE SCENARIO?

If your home increases in value, your equity position will likely increase along with it. For example, if your home goes up by 3% per year, and the loan balance goes up by 6% per year, your equity position would likely remain constant if you've borrowed 50% of your home value. If your home value stays the same or goes down, your equity position will go down. If the loan balance ends up exceeding the home value, the FHA will eat the loss. That’s why the FHA charges mortgage insurance on the loan. The FHA mortgage insurance covers you and your estate from a potential negative equity scenario in the future.

Bottom Line: A HECM can be used to improve cash flow and give you more financial options than you previously thought were available.

RULE OF THUMB:

You must be at least 62 years old to qualify for a reverse mortgage. The loan amount is calculated based on your age and home value.

Source: **Momentifi**

Contact me for more info

Tony Cubbage, CMPS
Mortgage Consultant
NMLS: 597831
Mortgage Wise Consulting
Corporate NMLS: 264320
tony@mortgagewiseconsulting.com
http://mortgagewiseconsulting.com
512.767.0621
3201 Menchaca Rd Austin, TX 78704

Mortgage Wise Consulting