

Is a Reverse Mortgage The Right Solution for You?

Topics Covered:

What Is A Reverse Mortgage?

Is A Reverse Mortgage for You?

What Are The Requirements For A Reverse Mortgage?

How to Get Money From a Reverse Mortgage

Reverse Mortgages and Taxes

How Much Does A Reverse Mortgage Cost?

How to Secure a Reverse Mortgage

Benefits of a Reverse Mortgage

Drawbacks of a Reverse Mortgage

What Happens When A Reverse Mortgage Comes Due?

Is a Reverse Mortgage The Right Solution for You?

What Is A Reverse Mortgage?

A reverse mortgage is a mortgage that is geared to the elderly homeowners out there. This type of mortgage will allow them to use some or all of the equity that they have built up into their home over the years. Those that need funds to pay for medical bills, for long term care or to make improvements on their home can usually use the equity in their home to make these improvements. These loans are somewhat different than the conventional mortgage though.

To qualify for the reverse mortgage, you need to be at least 62 years of age. There are no credit or employment verifications. Some homes, such as those that are mobile homes, do not necessarily qualify for this type of loan because they may not be worth as much. The mortgage is taken out on the equity of the home. Equity is a term that describes the value of the home minus any mortgages or liens that are being held against it. The equity of a home goes up as the mortgage of the home is paid down. When the home is completely paid off, the equity of the home is the same as the home's value on the market.

This type of mortgage is a bit different though. Generally, you will not need to repay the loan. In 95% of the cases, these loans will not be repaid. The mortgage becomes due when the homeowner dies or moves out of his home. At that point, he or she will have up to a year to repay the reverse mortgage or the home will be sold to pay off the mortgage loan. In most cases, the heirs of the property will be the ones to make that decision.

In the last several years, the numbers of reverse mortgage applications has grown significantly. This is due to the lack of funds that are needed to fund living expenses. Social security and pensions just do not seem to be enough for most. Therefore, the reverse mortgage can help them to make ends meet or do the things that they would like to do without worry of the cost.

It is important to consider this type of mortgage carefully, though. Like any other mortgage, you are taking out an amount of money on your home's value. It is often a costly thing to do simply because of the fees involved. But, for many, there is no reason not to consider a reverse mortgage.

Is A Reverse Mortgage for You?

Those that are considering the reverse mortgage have to make a very important decision. Most of the time, those that are considering them are doing so because they need the funds for some main purpose. For example, they may not be bringing in enough from social security, pensions or savings to maintain their living expenses. They may have a large purchase that is necessary such as a new vehicle. Or, they may need the funds for home improvements.

Some individuals use the funds that they get from a reverse mortgage to fund a second home or a recreational vehicle. If the funds are needed, those that have ownership or at least equity in their home, have the ability to secure this virtually free type of mortgage.

To qualify for a reverse mortgage, you have to be at least 62 years old. The older that you are, the more money you can get in your home mortgage on a monthly basis. Or, you may want to have the reverse mortgage funded to you in a lump sum. In any case, the reverse mortgage can happen rather quickly and can help you to secure the finances that you need.

To qualify for a reverse mortgage, you need to have at least some equity in your home. It is the equity that you have that you will be cashing out and using for funding. Equity is the amount of money that the home is worth minus any mortgages or liens that may be on it. The higher the equity is, the more of the home that you own. When you pay off your mortgage totally, the equity and the value of the home is the same. Those that are looking to use a reverse mortgage need to have at least some equity to cash in. This is where the funds come from.

If you still owe money on your home, the equity that you cash out in a reverse mortgage may need to go to pay down the rest of what is owed on the mortgage. The rest will be yours to use as you please. Unlike other loans, you can use the funds for anything that you see fit, once the mortgage on the home is paid for.

The reverse mortgage can be an ideal choice for those people that are in need of funding but do not have the money any other way. Since the funds for a reverse mortgage are not due to be paid back, in most cases, until the borrower dies or moves out of the home, the homeowner actually has access to money in the value of their home. Additionally, should the value of the home go up from the time that the reverse mortgage is taken, a second or even third reverse mortgage may be taken out.

What Are The Requirements For A Reverse Mortgage?

Have you heard of reverse mortgages? If you have, then you already know that there are plenty of benefits to them. Those that find themselves in need of funding for home improvements or medical help can often use a reverse mortgage to secure the funds that they need. This is an opportunity for many of them to get what they need without really having to pay for it. There are fees involved in the reverse mortgage that can reduce the amount that is paid to the homeowner, but in most cases, this is a small amount compared to the need that is out there.

To be eligible for a reverse mortgage, you will need to be at least 62 years of age. A single homeowner can apply or a couple can. In most cases, there are no requirements for employment and no credit checks are done on those that are taking out the mortgage. Most of those that have equity in their home will be able to secure the reverse mortgage based on home ownership itself.

If you still owe money on the home through a lien or mortgage, you will need to use the reverse mortgage to pay this amount off. This is a standard agreement so that the lender providing the reverse mortgage will be the one that holds the entire mortgage on the home. If the amount of the reverse mortgage is not enough to pay down the mortgage that is being held on the home, then personal savings must be used to pay it down.

If the homeowners are in the process of filing bankruptcy, the process of getting a reverse mortgage may be delayed until the bankruptcy is filed and settled. This is to insure that the home is not part of the bankruptcy and that the providers of the reverse mortgage will still hold the title to the home.

Most homes are able to qualify for a reverse mortgage. In some cases, though, it may not be a consideration. For example, most mobile homes do not qualify for a reverse mortgage.

In some areas, your state or local government may actually help to fund the reverse mortgage. This can give an additional option to those that need it. Also, most of the reverse mortgages that are taken out are also backed by FHA. This means that if the proceeds from the sale of the home (when the homeowner dies or moves out) are not enough to cover the cost of the reverse mortgage, FHA will refund the rest of the money.

If you qualify for a reverse mortgage, many lenders and governments offer them.

How to Get Money From a Reverse Mortgage

A reverse mortgage is a mortgage that allows homeowners that are over the age of 62 to cash in some or all of the equity in their home. It allows them to secure these funds to use as they see fit. Many will use the funds for home improvements or for extended term care. Those that need these funds are often able to secure them with little to no trouble. These funds serve as almost free money because, besides the fees that are charged, these mortgages will not likely be paid back during the course of the homeowner's life. These options are readily available.

There are also several options when it comes to how these loans are paid to the homeowner. You can often choose on of them or a combination of all of them to use for your needs.

- A lump sum: Often, the money from a reverse mortgage will be paid to the homeowner in a lump sum, meaning a one time payment of the value of the equity in the home.
- A specific amount that is paid over the course of ten years (or other terms are available.) In this option, the homeowner will be able to have payments over the course of the set terms, ten years in this case, that they will receive a check from the equity in their home. This can help homeowner to manage their funds throughout this time period.
- A specific amount can be paid each month to the homeowners until they die or they move out of their home permanently. This is often something that allows them to secure a monthly payment to use as they see fit without worry about it running out before they die.
- A line of credit is also an option in a reverse mortgage. Here, the funds are provided as a line of credit that can be repaid to the lender. Here, they can take out a specified amount to

make a repair or to pay a bill as they need the funds. In some cases, this too is not paid back. It is simply tapped into when it is needed.

Securing the right type of terms for your needs is really up to you. Consider what you need the fund for and how readily you need them. Some will get a lump sum payment for their reverse mortgage and then place the funds into a savings account until it is needed. You can do whatever is right for you as in most cases, there are no restrictions.

Reverse Mortgages and Taxes

The reverse mortgage has fast become one of the hottest loan investments today. Each year, more and more people are considering this type of funding for their needs because it is low cost and affordable. It also allows the homeowner to tap into the funds that they need to make payments, to fund long term care or even to help them to secure a second home. There are many ways in which this type of loan can be used. In fact, in most cases, there are no restrictions on how it can be used, as long as the home's mortgage is paid off in full prior to the funds be used otherwise.

What about taxes? This is another benefit of the reverse mortgage. Unlike other mortgages and loans where there are fees and taxes that bring down the loan from the start, the funds that come from a reverse mortgage are not taxed income. This allows the homeowner to secure the funds that they need without having to worry about the government taking a large chunk of it.

For those that are on social security or those that have Medicare, the reverse mortgage is still a plus for many. Unlike any other source of income, the reverse mortgage will not affect their benefits. In other cases, the individual is only allowed to make a specific amount of money per year over their social security benefits. The funds from a reverse mortgage do not qualify though and therefore your benefits will not decrease if you tap into this type of funding.

If those that receive these funds will hold them past the end of the calendar month, though, the funds will be considered liquid assets. Therefore, this can harm them in their eligibility for these programs.

The amount of money that you will get from your reverse mortgage is determined in several ways. First, the home will need to have a Federal Housing Administration or Fannie Mae approved appraisal. This will determine the value of the home. It is also determined based on the starting interest rate of the loan, the fees that are involved as well as the location of the home. All of these things play into the amount of funds that can be acquired through the reverse mortgage.

When considering a reverse mortgage, homeowners will need to seek out HUD approved counseling to help them to make the right decisions for their needs. Because these mortgages are FHA backed, they can provide these services to the homeowner so that they can make the right decision.

How Much Does A Reverse Mortgage Cost?

More than likely, you have heard a lot of good things about the reverse mortgage. This is an option that many people are looking to get into because of just how easy it is to use these funds as they see fit. It is a good choice for many people. In fact, it can help those that are over the age of 62 to have the funds that they otherwise would not have when it comes to medical and long term care. The funds can be used as the homeowner sees fit, but that does not mean that this mortgage does not come at a price.

The process of any mortgage has something called closing costs. These fees are usually several thousand dollars and the funds will be used to pay for titles and other fees that are needed for the mortgage to take place. Generally, they can range in costs depending on the mortgage company. In a standard mortgage, you will need to pay the closing costs or they can be rolled into the loan. In a reverse mortgage, many of these costs are the same but in other cases, they are more. One thing is for sure. You will pay to secure a reversed mortgage.

On top of the standard closing costs that are in place for any mortgage, the reverse mortgage will have additional fees on it. For example, there is a two percent fee on the mortgage that will go towards an insurance premium. Another two percent of the total mortgage will be needed as an origination fee. This alone is quite high in comparison to the standard loan. For an example, on a reverse mortgage that is merely \$100,000, these fees will tap about \$5,000 on top of the various other closing costs that are factored.

On top of this, there is usually another charge that is deducted from the total amount of the loan each month. This is a service fee and is generally about \$30. Although it seems small, this amount is still quite a costly element in the process.

To get the most affordable reverse mortgage, homeowners should consider looking into those that are backed by the state or local governments. These have lower to even no loan fees and they offer a low interest rate as well. Where they are available, this can be an ideal choice. IT also pays to insure that you get your reverse mortgage from the lowest costing lender possible.

How to Secure a Reverse Mortgage

Those that are considering the purchase of a reverse mortgage should take the time to find the right mortgage for their needs. While these mortgages are generally backed by FHA, they are not all offered at the same rates and for the same fees. For that reason, it should be taken seriously and should be considered carefully.

There are many companies that are offering these mortgages because they are just a good investment for their needs. Yet, for those that are looking to cash out some of the equity in their home, they are much more than just that. For that reason, it is necessary for you to carefully consider how you get your reverse mortgage.

First off, those that are considering this type of mortgage should consider their needs. Do they need to have a lump sum payment or do they need monthly loan amounts to be paid to them? They should also take their time to insure that they realize how a reverse mortgage works and how it will affect them, their home and their heirs. Once this is done, they can really begin their search for the right mortgage lender.

There are many factors to consider here. The two most important things to consider include the interest rate that is on the reverse mortgage and the fees that are involved in its closing. While all mortgages will have fees on them which are called closing costs, those that are from a reverse mortgage will have additional fees. This will include a two percent fee that is for an insurance premium and another two percent fee that is used for loan origination. This is on top of the standard closing costs that standard mortgages face. This alone makes the mortgage costly.

Of course, you will want to seek out the lender that is offering the lowest interest rate on the mortgage as well. You can easily compare this on the web.

In some areas, one of the best ways to secure a reverse mortgage is to get it through the state or the local governments. Those governments that do offer it, often do so at much lower fees or even no fees. They also provide for the lowest in interest rates as well. This is not offered in all areas but is definitely worth finding out about if it is offered in your area.

From here, the individual will need to have HUD approved counseling and appraisals to qualify for the reverse mortgage. The rest of the process is quite quick and individuals will have the funds that they need rather fast.

Benefits of a Reverse Mortgage

There are many benefits to using a reverse mortgage. That is probably one of the reasons that so many people are using them every year. Numbers of those that are using them are doubling each year and there is good reason for this. A reverse mortgage is something that many people find benefits in for many reasons. Those that use these options for their funding needs often have the ability to do what they need to or what they would like to and still enjoy what life has to offer to them.

To get a reverse mortgage, you need to have equity in your home and be over the age of 62. This type of mortgage works opposite of others. Instead of making monthly payments on your mortgage loan, you are instead using the funds as you see fit and then the mortgage will be paid off after you die or move out of the home permanently. At that time, the home's mortgage is paid off. Prior to this, though, there is no payment being made on the home.

A reverse mortgage is an option for many people. The funds that are obtained through a reverse mortgage can be used as the homeowner sees fit. Many homeowners will use them to pay off debts. Others will use these to fund home improvement projects that they could not afford to do otherwise. Some will use these funds from their home's equity to fund long term

health care for themselves or their loved ones. The funds can be used in virtually any manner that the homeowner chooses.

Because of this, homeowners can easily benefit from obtaining this type of loan. Many people find this to be an option that they need to have. Often, people that find themselves not having enough money to make ends meet can tap into these funds to help them to make payments. Often social security payments, savings and pensions are just not enough to fund their needs. The reverse mortgage can be an excellent solution then.

There are several ways that the reverse mortgage can be funded as well. They can be funded through a lump sum payment that is made when the homeowners secure the mortgage. Or, the funds can be sent each month for a specific time or even for the rest of their lifetime. In any case, this type of mortgage allows many homeowners to secure the benefits of having added funds when they otherwise would not have it.

Drawbacks of a Reverse Mortgage

There are plenty of good things about the reverse mortgage. It allows many homeowners to secure the funds that they need to make ends meet, to allow for long term care and to make home improvements. The homeowner decides what to do with the money that he secures. He also gets to tap into this equity without having to pay it back, in most cases. Those that find themselves in need of a reverse mortgage can secure it rather quickly, too. There are no credit or employment verifications needed. With so much going for them, it is obvious why these mortgages are being secured by so many out there.

Yet, there are some important things that should be noted about them prior to securing one.

- When the homeowner dies or permanently moves out of his home, the home will need to be sold in order to pay off the mortgage. The mortgage will be due at this time, in a lump sum. If the heirs or the homeowner would like to keep the home, they will need to make payment on the home within a year of the mortgage coming due. In many ways, the heirs will be faced with having to make a decision about paying off the mortgage or selling the home.
- There are quite substantial fees involved in these mortgages. In many ways, these are much more costly than those of a standard mortgage. There is an additional fee of two percent that is applied to an insurance premium. Another two percent will be used for a loan origination fee. On top of this, standard closing costs will be applied as well. In short, a \$200,000 reverse mortgage may have \$10,000 worth of fees involved with it. This will have to come off the loan prior to the funds being provided.
- If the homeowner still holds a mortgage on the home when he seeks out the reverse mortgage, the mortgage will need to be paid off in full with the funds from the reverse mortgage and/or personal funds as needed.

When considering a reverse mortgage, it is very important for the homeowner to seek out the right loan for their needs. In most cases, this will mean talking to several lenders and their heirs to insure that everyone is on the same page. There are ways to save money too. For

example, many state and local governments offer lower fees or even no fees on this type of loan. While there are many benefits to this type of loan, the homeowner still needs to weigh his decision carefully.

What Happens When A Reverse Mortgage Comes Due?

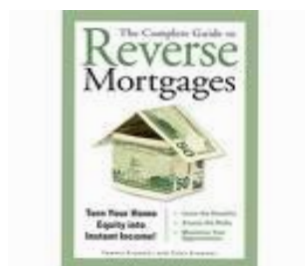
The funds from a reverse mortgage can be used in virtually any manner that the homeowner would like them to be used. This can be such things as home improvements or even to pay for assisted living or long term care. But, many people do not understand what will happen when their reverse mortgage is due to be paid back.

This is unlike a standard mortgage because you will not make payments on the home each month. You will not have to pay the loan back at all unless you decide to do so. In any case, the reverse mortgage will be paid back in a lump sum once the homeowner dies or he moves out of the home permanently. At this point, the mortgage is due to be paid. This can be done in one of two ways.

The first way is that the heirs of the estate of the homeowner can pay for the loan. If they determine that they would like to keep the home in the family, for example, they have the ability to pay off the mortgage within a year of the death of the last homeowner on the loan. This amount will incur interest during the time that the loan is not paid off.

Secondly, if the homeowners or their heirs decide not to pay off the mortgage, the home will be sold to pay of the mortgaged amount of it. Generally, once the home is sold, the mortgage is paid off and all is clear. If the home does not sell for enough money to cover the value of the mortgage, even if you have made every attempted possible to do so, FHA will step in and make up the difference. This is because the reverse mortgage is backed by the federal government in that it is an FHA loan that you are taking out.

What is important to note here, though, are the feelings of those that are being left out. For example, if the homeowner dies and his home must be sold to pay off the reverse mortgage, the heirs may not have the funds to pay off the amount owed and will therefore not inherit the home itself. The decision to use a reverse mortgage is something that many people should make with their heirs.



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