

# Reverse Mortgage 101

Reverse Mortgage, also known as a Home Equity Conversion Mortgage (HECM), is a financial solution that keeps senior homeowners, age 62 and older, in their homes while capitalizing on its equity. Seniors are discovering how a reverse mortgage can be used in any way that they see fit, for example, to supplement retirement income, help fund health care necessities, pay for home improvements and, particularly, to secure and set aside a ready cash reserve.

Reverse mortgages are a popular home loan created specifically for senior homeowners. They allow you, the homeowner (under certain terms) to borrow against the equity you have established in your home without having to repay the loan for as long as you live in and maintain your home. You make no monthly mortgage payments, instead, depending on how you choose to structure your mortgage, you may receive monthly payments. Reverse mortgages can also help you, the homeowner, stay in your own home and still meet your other financial obligations.

## What exactly is a Reverse Mortgage?

In short, a Reverse Mortgage is a financial tool that allows you to either, take money from your existing home in a lump sum or in monthly payments sent directly to you. This is done without you incurring a traditional monthly payment to a mortgage company. These funds which you take from your existing home will not need to be paid back as long as you live in your home. You can receive the funds from your home in one of the following ways:

- In one lump sum
- In a monthly payment plan
- In a credit line that you can access when you need it
- A combination of any of the above three options

As you access funds, either by a lump sum payout or by one of the other methods mentioned, the balance of your existing mortgage grows and your equity decreases. These loans are not for everyone and do, sometimes, have consequences. However, they do have a place in the finance market for many home owners.

## Who qualifies for a Reverse Mortgage?

In most cases, Reverse Mortgages are available for those who fit the following criteria:

- At least 62 years or older, including any co-owner of the home
- The borrower(s) must indeed own the home
- The borrower(s) need to live in the home at least 6 months out of each year
- The residence must be an owner occupied 1, 2, 3, or 4 unit residential building, but not a manufactured home

## How much do I qualify for?

The factors are very much dependent on your current age, current interest rate and the physical condition of your home.

## When does the loan have to be paid back?

The following are common circumstances that require that a reverse mortgage loan be paid back to the lender / bank:

- If you sell your home
- The surviving borrower passes away
- You have moved from your home for a period longer than 12 consecutive months

- You allow your Home Owner's Insurance Policy to lapse
- You sub-let your home
- An additional owner is added to the title of the home
- An additional loan is taken out against your home
- The zoning is changed for your home

### **How much will I owe on my Reverse Mortgage loan?**

This depends of course on how much you borrow originally. Please Note: That even if the value of the home depreciates over time; the amount owed will never be greater than the value of your home at the time that the loan is to be repaid.

As always, seek an experienced professional, like your Borrower-Friendly Mortgage Specialist, to help determine if a Reverse mortgage is the best choice for you.

#### To learn more contact:

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