

Using a Reverse Mortgage To Purchase or Stay in Your Home

Several years ago a friend of mine owned a boat which he named “Ubiquitous” and that name always stayed in my mind. When you look up “ubiquitous” the Thesaurus leads you to the words “common” or “widespread”. Based on those definitions, I feel comfortable saying that reverse mortgages have truly become ubiquitous.

The Federal Housing Authority (FHA) endorsed a record setting 108,287 Home Equity Conversion (HECM) loans—an increase of 26.5% from 2006 to 2007 according to the National Reverse Mortgage Lenders Association. The HECM program became a permanent HUD program in 1998 and is now available in all 50 states.

Today there is wisdom in looking at ways in which home equity can be put to work for you or a member of your family. Many homeowners age 62 or older are house rich and yet could improve their lifestyle if they had additional cash. Now reverse mortgages give you a way of getting money from your home without having to leave your home. It can be a way for you to use your home to finance any number of projects or adventures that you have long thought out-of-reach. There are no restrictions on how you use the tax free cash and no monthly payments during the life of the loan.

A reverse mortgage can be a way to purchase a new home—eliminate monthly mortgage payments and have instant access to any excess equity in the home you sold. When purchasing a home, these loans combine the features of a home purchase mortgage and a reverse mortgage into one easy step. The loans can be used by homeowners who want to sell their current home and buy another one that better suits their current needs.

Reverse mortgages are for homeowners over the age of 62 with or without a traditional mortgage. Since you aren't making any payments, there are minimal credit and no income requirements. Unlike traditional home equity loans, the reverse mortgage is a home loan that allows you to use the equity in your home and does not require payment of any kind until the last surviving borrower permanently leaves the home.

to your children and they wished to live in it, they would have to repay the reverse mortgage with either cash or through refinancing with another mortgage.

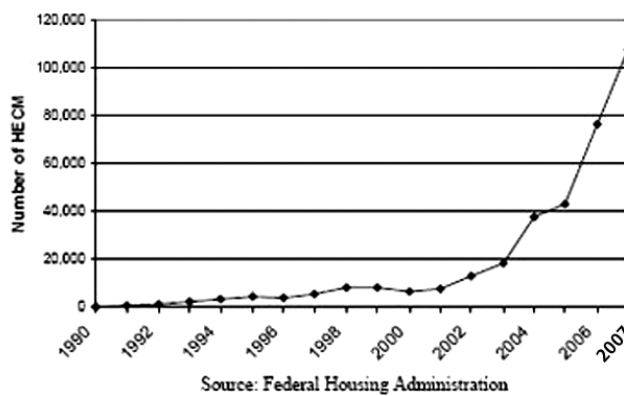
Many people think that homeowners who take a reverse mortgage sign away their home. That's probably the biggest concern and it's absolutely untrue. The title and ownership stay with the homeowners; but they must pay their taxes and homeowner's insurance, and take reasonable steps to maintain their property.

In most instances, you can take out a reverse mortgage even if your house isn't fully paid for and the existing mortgage will be paid out of the loan proceeds. You may receive all of your money in a lump sum; or in regular monthly payments or you can place the money in a line of credit. You may also combine any of these three options. A reverse mortgage can also be refi-

nanced down the road based on the borrower's age and potentially increased home value.

Clearly a reverse mortgage deserves serious consideration as a way to provide financial flexibility. A first step would be a discussion with a trusted mortgage professional to understand your options. This is in addition to any other advice you have chosen to seek from your accountant, lawyer, financial planner or adult children. A reverse mortgage can be a way to strengthen your financial future and provide for a more comfortable lifestyle.

Increase in HECM Loans Since 1990



Interest accrues monthly based on the current amount which has been borrowed and is not paid until the loan itself is re-paid.

There are several different reverse mortgage options depending on your age and the value of your home. The most popular is the FHA HECM loan but there are proprietary jumbo reverse mortgages which are usually taken out on more expensive homes because they permit a much larger reverse mortgage than the HECM.

A very important aspect is the safety of the loan itself. These are non-recourse loans which means that when the loan is repaid, the borrower (or the borrower's estate) will never owe more than the value of the home. Additionally, most of the time there will be considerable equity remaining in the home at the time of sale. That remaining equity also belongs to the borrower or the borrower's estate and not the bank. Down the road, if you wanted to leave your house

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