

Understanding the 'basics' of a reverse mortgage

By VIVIAN DYE, ATLANTIC RESIDENTIAL MORTGAGE

Reverse Mortgage loans were designed specifically for senior-aged homeowners to access the money that has built up over the years as equity.

Seniors (age 62+) obtain reverse mortgages for many reasons, but the most important is that a reverse mortgage makes it possible for people to stay in their own home at a time when the cost of living is getting higher and higher. Other reasons include paying property taxes or medical and prescription costs; paying off a current mortgage; making home repairs; assisting relatives; traveling or just enjoying life a bit more.

Here are some of the questions we've been asked when consulting with our customers.

Do I qualify for a reverse mortgage?

You must be age 62 or older. And you must occupy the home as your primary residence – for the majority of the year. Borrowers must own the home outright or have a low enough balance on the existing mortgage that it can be paid off from the proceeds of the reverse mortgage.

What if my spouse is not yet 62 years old?

Ultimately, the person who remains in the house will need to have sufficient funds to pay off the reverse mortgage, or will need to move out. If the spouse is not sixty two at the time the reverse mortgage is obtained he or she would not be able to be on title for the new loan. If that creates an issue, then a reverse mortgage may not be a reasonable alternative. While the spouse may be named in a will or trust as inheriting the home, the loan still needs to be paid. If you still decide to initially leave the younger spouse off of the loan until the reach age 62, bear in mind that you will have to refi-

nance the loan in order to have him/her added.

If I have a reverse mortgage, who holds the title to my home?

The is one of the biggest misconceptions. You retain ownership of your home just as you would if you were to take a "regular" mortgage. However, if you permanently move out or the home passes to your estate, the loan must be repaid.

Are there restrictions on how I use the money?

There are generally no restrictions on how the proceeds of the loan are used. From paying bills to buying a boat, to travel abroad or visiting the family – it is your money to spend.

Do I need to make payments to the bank during the term of the mortgage?

You don't make payments, because the loan is not due as long as the house is your principal residence.

What are my obligations during the course of the loan?

Borrowers must continue to pay homeowner's insurance and property taxes during the loan period. It is also the borrower's responsibility to keep up with repairs. In fact, if a borrower fails to adhere to any of these obligations, it may become immediate cause for the loan to become due. In which case, it would become payable in full.

Do I owe any interest on the reverse mortgage?

Yes, interest accrues monthly based on the current amount borrowed. HECM borrowers can choose an adjustable interest rate or a fixed rate. Interest is due at the point in time when the loan is repaid.

Who gets the remaining equity when the house is sold?

When the loan must be

repaid, you or your heirs can either pay the balance due on the reverse mortgage or sell the home and use the proceeds to pay off the reverse mortgage. Remaining equity belongs to the borrower or the borrower's estate and not the bank. Down the road, if you wanted to leave your house 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.

How Much Money Can I Receive?

The amount of money you can receive from a reverse mortgage is determined by your home value, the number and age of the homeowner(s) and the current interest rate.

Am I eligible for a reverse mortgage if I have an existing mortgage on your home?

Even seniors who have an outstanding mortgage or some other debt on their home may qualify. The proceeds of the reverse mortgage would be used to pay off such debts and the remainder would be available to you.

Will a reverse mortgage affect my public benefits?

A reverse mortgage will not affect Social Security or Medicare but may affect Medicaid. You should seek specific advice on your situation.

Clearly a reverse mortgage deserves serious consideration as a way to provide financial flexibility and today there are a variety of options available. A first step would be a discussion with a trusted mortgage professional to better understand your choices. This is in addition to any other advice you have chosen to see from your accountant, lawyer, financial planner or children. A reverse mortgage is a way to have your home equity contribute to your retirement planning.

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