Reverse Mortgages

If you would like, print this study aid for future reference.

To qualify for a reverse mortgage:

- All homeowners must be at least 62 years old.
- At least one owner must live in the house most of the year.

Lenders generally charge origination fees, mortgage insurance premium fees, and closing costs when you get a reverse mortgage.

Homes that are eligible for a reverse mortgage are:

- Single family, one-unit dwellings
- Two-to-four unit, owner-occupied dwellings
- Some condominiums, planned unit developments, and manufactured homes

Note: Cooperatives and most mobile homes are not eligible.

The loan and interest are repaid only when you sell your home, permanently move away, or die.

- Because you make no monthly payments, the amount you owe grows larger over time.
- You continue to own the home, so you must pay the property taxes, insurance, and repair costs. If you fail to pay them, the lender may be able to use the loan to make payments or may even require you to immediately repay the loan in full.

If your heirs want to keep the house, they must repay the loan. They will also have to repay any interest, finance charges, or fees.

A reverse mortgage usually makes more sense the longer you plan to stay in the home.

- The expensive up-front cost make the first years of the loan relatively expensive. For example, a borrower who uses a reverse mortgage for only a couple of years can have an annual loan cost several times greater than a similar borrower using the reverse mortgage for a decade or more.
- It is very important to have a realistic understanding of not just your life expectancy but also how long you can afford the expenses related to your home, including: utilities, property taxes, insurance, maintenance and repairs, and how long you are physically able to keep living in the house.

There are different types of reverse mortgages. Most reverse mortgages are made under a Federal Housing Administration (FHA) program.

- Most people get a Home Equity Conversion Mortgage (HECM), which has government insurance that protects not only the lender but also the borrower.
- If the lender becomes unwilling or unable to make the payments that are due to the borrower, the government steps in to make them.
Reverse mortgage products that are not FHA-insured may not offer the same guarantees and protections as an FHA-insured HECM.