



EQUAL HOUSING
OPPORTUNITY

MONEY FOR OLDER ADULTS

As we live longer, our savings needs to last longer, too. The Senior Helper.org offers tips for money management, avoiding scams, and reducing debt to make the most of your money as you age.

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Reverse Mortgage Guide

A reverse mortgage is an increasingly popular consumer loan for senior homeowners aged 62+. It allows senior homeowners to tap into the home equity built up over years. There are no monthly mortgage payments, but homeowners are still responsible for paying property taxes, insurance, and maintenance. The loan repayment is deferred until the homeowner dies, sells, or moves out of the home. Because there are no monthly mortgage payments and homeowners receive their home equity as tax-free cash, this program has benefited over 1,000,000 seniors.

How Does a Reverse Mortgage Work?

To qualify for a reverse mortgage loan, you must hold title to your home, be at least 62 years old, and have enough equity. The amount you qualify for is based upon a percentage of the equity accumulated in the home. The proceeds are reimbursed when the borrower sells the home, moves out of the house, or dies. The factors that impact the loan amount for which you may be eligible include your age, the value of your home, interest rate, and whether your home conforms with the Federal Housing Administration's (FHA) mortgage limit of \$970,800.

What Are the Pros and Cons of a Reverse Mortgage?

There are some considerations to make before proceeding with a reverse mortgage loan. It is essential to understand the pros and cons associated with an FHA reverse mortgage.

Pros:

- You continue to live in your home and retain title to your home as long as you continue to pay your property taxes, insurance, and maintenance.

- You receive the loan proceeds as tax-free cash in which you can use the money as you see fit. Speak with your financial advisor to verify your specific situation.
- You do not make any monthly mortgage payments during the loan. You do have to follow the constructs of the loan guidelines and are responsible for paying your property taxes, insurance, and maintenance.
- A reverse mortgage is a non-recourse loan. Neither you nor your heirs are liable for any amount of the mortgage that could potentially transcend the value of your home.
- You choose the disbursement option. There are flexible options receiving the proceeds of the loan.
- Some lenders offer a free reverse mortgage loan calculator, which allows you to get an estimate as to how much you may qualify for, but it is best to speak directly to the lender for more precise information.

Cons:

- Fees associated with the loan are higher than with other financial products. Ask your lender about options available.
- The loan balance increases over time, as does the interest on the loan and the associated fees. But again, A reverse mortgage is a non-recourse loan. Neither you nor your heirs are liable for any amount of the mortgage that potentially transcends the value of your home.

What is the Process of Getting a Reverse Mortgage?

The process of getting a reverse mortgage loan is straightforward and entails the following steps:

1. Research and identify companies that may be right for you. Please fill out an online form or give them a call to start the process.

2. Discuss what options may be available to you, what you may qualify for, what the time required to close your loan looks like, and to have your questions answered.
3. Attend a counseling session from a licensed third-party counseling agency. Housing and Urban Development (HUD) maintain a list of counselors available in your state.
4. Complete an application with the company that you've selected. This is similar to a traditional forward mortgage in that you fill out several pages of documentation to apply formally.
5. Underwriting and loan processors then take over and handle everything from getting your house appraised to ensure that all of your paperwork is in order.
6. Close your loan and choose your disbursement options. At this stage, you've completed the process and can now choose exactly how you'd like to receive the proceeds of the loan and when.

For further information, contact Dennis Settle, Certified Senior Advisor

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This booklet is courtesy of Dennis Settle and The Society of Certified Senior Advisors