

Reverse Mortgage: A Retirement Planning Tool for Seniors

As seniors enter the autumn of their lives, they face fixed pensions, increased medical expenses, and limited social security benefits. Due to these financial constraints, some seniors have turned to reverse mortgages as a way to access tax-free income from their homes' equity. This alternative allows seniors to remain in their homes and maintain their standard of living. Older homeowners are realizing that they can take advantage of the equity in their homes without selling their home, or taking on additional debt. For more information about reverse mortgages and other programs focused on seniors, contact your local NeighborWorks® organization. To find a NeighborWorks organization near you, visit www.nw.org

What is a reverse mortgage?

Call for help. More than half of homeowners facing foreclosure do not call for help when they fall behind in their mortgage payments.

- ▶ A reverse mortgage is a special type of home loan that enables a senior homeowner convert a portion of the equity in his or her home into cash.
- ▶ Unlike a traditional mortgage in which a borrower makes monthly payments to the mortgage lender, a reverse mortgage makes payments to the borrower.
- ▶ Homeowners 62 and older are eligible to apply for a reverse mortgage, and can get these payments in one lump sum to cover an unexpected bill; monthly, as a

regular supplement to their monthly income; or on an occasional basis as a line of credit.

- ▶ The size of the reverse mortgage is determined by the borrower's age, the interest rate, and the home's value.
- ▶ The Home Equity Conversion Mortgage is the only reverse mortgage insured by the federal government's Federal Housing Administration (FHA), part of the U.S. Department of Housing and Urban Development (HUD).
- ▶ Reverse mortgages can be good options for seniors who own their homes outright or have very little outstanding mortgage principal balance.
- ▶ Many seniors find a reverse mortgage to be a valuable tool for overall financial planning.

How can I qualify for a reverse mortgage?

- ▶ According to HUD, you, and any co-homeowner(s), must be at least 62 years-old.
- ▶ The home must be your primary residence, and a single family residence in a 1- to 4-unit dwelling, a condominium, or part of a planned unit development.
- ▶ The home must be at least one-year-old and meet HUD's minimum property standards.
- ▶ You must own your home outright or have a low outstanding mortgage balance.





- Interested homeowners must discuss the reverse mortgage program with a counselor from a HUD-approved counseling agency. Contact your local NeighborWorks organization to find out if it is also a HUD-approved counseling agency.

