



Senior Series

*The Ohio
Department of
Aging*



For more information, visit the Ohio Department of Aging web site at: <http://www.state.oh.us/age/>
and Ohio State University Extension's "Aging in Ohio" web site at: <http://www.ag.ohio-state.edu/~seniors/>

SS-185-01-R06

Reverse Mortgage

For many seniors "Home Sweet Home" turns into a place of despair when they don't have enough income to continue living there. Despite paying off a 30-year mortgage, their monthly retirement income isn't sufficient for them to survive. If this happens, do seniors have to sell their home and move into a small apartment or move in with their children? In many cases the answer is "No." Homeowners age 62 or older who live in their homes as their principal residence should check into a reverse mortgage.

- **What is a reverse mortgage?**

A reverse mortgage is a special type of home loan that lets the homeowner convert the equity in their home into cash, while continuing to live in their home. The equity can be paid in three different ways. Homeowners can receive payments in a lump sum, on a monthly basis for a fixed term, or as a line of credit. The loan can be restructured during the course of the loan.

- **How do I qualify for a reverse mortgage?**

You must be age 62 or older. Your home must be owned free and clear or have only a small remaining balance and be your principal residence. The property must be a single-family home; a one-to four-unit dwelling with one unit occupied by the borrower; a manufactured home (mobile home); or a unit in FHA-approved condominiums or Planned Unit Developments. The property must meet minimum property standards.

- **What can I use the money for?**

Whatever you want. This is your money to use for home repairs, a vacation, to pay medical bills, or supplement your monthly social security check.

- **Do I have to repay the reverse mortgage?**

As long as you live in your home you will not have to repay a HUD reverse mortgage. Once you no longer

live in your home or if you sell your home, then you or your estate will repay the cash you received from the reverse mortgage, plus interest and other finance charges to the lender.

- **Will I still have an estate that I can leave to my heirs?**

When your home no longer is your primary residence, because you have sold your home or are no longer living there, then you or your estate will repay the cash you received from the reverse mortgage. You or your estate will also have to repay interest and other finance charges to the lender. Any remaining equity in your home can be passed on to your heirs. None of your other assets will be affected by HUD's reverse mortgage loan.

- **If I outlive the loan can the lender take my home away?**

NO! You cannot outlive the loan agreement. You cannot be forced to sell your home to pay off the mortgage loan. HUD's Federal Housing Administration guarantees that you will receive all the payments that are owed to you.

- **Why should I get a reverse mortgage and not a bank home loan?**

With a traditional second mortgage, or a home equity line of credit, you must have sufficient income to qualify for the loan. With a bank home loan you are required to make monthly mortgage payments. A reverse mortgage pays you and it's available regardless of your current income. The reverse mortgage is not due as long as you live in your home. You

will still be required to pay your real estate taxes and utilities, however, with an FHA-insured HUD Reverse Mortgage you cannot be foreclosed or forced to leave your home because you missed a mortgage payment.

- **How much money can I get from a reverse mortgage?**

The size of the loan is determined by the borrower's age, the current interest rate, and the home's value. The older the borrower is, the larger the percentage of the home's value that can be borrowed. You can go to HUD's web site and use the reverse mortgage calculator to see how much money you are eligible to receive (www.hud.gov).

- **How do I find out more about a reverse mortgage?**

To receive FREE information call AARP at 1-800-209-8085.

- **If I think a reverse mortgage is right for me, what do I do next?**

You must meet with a HUD-approved counseling agency to make sure you understand what a HUD reverse mortgage is. The counselor will make sure that a reverse mortgage is best for your situation. You can get a list of HUD-approved counselors from the HUD web site or call HUD at 1-800-569-4287.

- **The last step is to meet with a HUD-approved lender.**

HUD will provide you with a list of HUD-approved lenders in your area.

The HUD lender will help you with the reverse mortgage application process.

You have worked hard to pay off your mortgage. Now may be the right time to let your home work for you.

References

HUD web site: www.hud.gov

The Wells Fargo Home Mortgage web site: www.reversemortgages.net

A reverse mortgage is a special type of home loan that lets the homeowner convert the equity in their home into cash, while continuing to live in their home.

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