

REVERSE MORTGAGES: LOOK BEFORE YOU LEAP!

FAIR HOUSING HIGHLIGHT #31

People are talking about “Reverse Mortgages” as a way to get extra income every month. I’ve been told that seniors can use the equity in their homes to get money to pay bills. Does that mean my children won’t be able to inherit my house when I die?

A reverse mortgage is a special type of home loan available to senior home owners which operates in the opposite way of a traditional mortgage. In a reverse mortgage, the lender makes monthly payments *to the homeowner* so that they can use the equity in their home for their expenses. The reverse mortgage is repaid to the lender when the home is sold after the homeowner dies or moves out permanently. The homeowner or their heirs keep any proceeds from the house sale *after* the lender is paid back.

How do I know if I’m eligible or that a reverse mortgage is right for me?

Any home owner who is over 62 years old whose mortgage is fully or almost paid off is eligible. The exact amount the homeowner can receive depends on their age at time of application, the value of the home, and the amount of equity in the home. A reverse mortgage might be right for you if: 1) you need additional monthly income to live; 2) your home is your only major asset and you are on a fixed income and; 3) you don’t plan to leave your home to your heirs.

When would a reverse mortgage NOT be the right way to go?

First, a reverse mortgage (in terms of fees, interest, repayment penalties) can be an expensive way to borrow money. You need to ask yourself if there is another less costly way to get extra income you need. Secondly, a reverse mortgage could affect your eligibility for “need based” public benefits such as Medicaid and Supplemental Social Security Income (SSI). Reverse mortgages are complicated. Before you make any decision talk to a housing counselor to see if a reverse mortgage is the right decision for you.

Are there different kinds of reverse mortgages?

There are 3 types of reverse mortgage plans: FHA-Insured, lender insured, and uninsured. The federally insured Home Equity Conversion Mortgage (HECM) is usually the least expensive and gives the largest advances.

For more specific information about reverse mortgages, contact:

- ↳ U.S. Dept. of Housing and Urban Development (HUD) 888.466.3487
- ↳ American Assoc. of Retired People (AARP) 888.687.2277 M-F 7am-midnight
- ↳ Federal Trade Commission (FTC) 202.382.4357

**Questions? Call the Fair Housing Rights Center in Southeastern Pennsylvania at 215-576-7711
or visit us online at www.fairhousingrights.org.**