



Ruth Brock
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News Release

Reverse Mortgages

Are you considering housing options for you, an aging parent, relative, or friend? Homeowners age 62 and older can use FHA-insured reverse mortgages to convert the equity in their homes into monthly streams of income and/or a line of credit to be repaid when they no longer occupy the home. The loan is with a lending institution such as a mortgage lender, bank, credit union or savings and loan association. Homeowners are required to receive consumer education and counseling by an approved counselor in order to be sure this program meets their needs.

The counselors discuss program eligibility, financial implications and alternatives to obtaining a reverse mortgage plus requirements for the mortgage becoming due and payable. Upon the completion of counseling, homeowners are able to make an independent, informed decision of whether this product meets their needs.

Borrower Requirements:

- Must be age 62 years of age or older
- Must own the property
- Live on the property as primary residence
- Participation in a consumer information session given by a HUD-approved housing counseling agency

Mortgage Amount Based On:

- Age of the youngest borrower if more than one
- Current interest rate
- Lesser of appraised value or the FHA insurance limit

Financial Requirements:

- No income or credit qualifications are required of the borrower
- No repayment as long as the property is the primary residence
- Closing costs may be financed in the mortgage

Property Requirements:

- Single family home or 1-4 unit home with one unit occupied by the borrower (which can also be FHA-approved condominiums or manufactured homes and leased land)
- Meet FHA property standards and flood requirements

Unlike ordinary home equity loans, an FHA reverse mortgage does not require repayment as long as the home is the borrower's principal residence. Lenders recover their principal, plus interest, when the home is sold. If any home equity remains after the sale, the remaining value of the home goes to the homeowner, estate or heirs. The homeowner can never owe more than the home's value.

If the sales proceeds are insufficient to pay the amount owed, HUD will pay the lender the amount of the shortfall. HUD's Federal Housing Administration (FHA) collects an insurance premium from all borrowers to provide this coverage.

The amount a homeowner can borrow depends on their age, the current interest rate, other loan fees and the appraised value of the home or the FHA's mortgage limits for the area, whichever is less.

While reverse mortgages are not for everyone, given the right circumstances they can offer more retirement income while remaining in the home. For more information, call AARP at: (800) 209-8085, toll-free, or by visiting the website at www.aarp.org.

For more information on financial topics, please contact Ruth Brock, Regional Extension Agent at the St. Clair County Extension Office at 205-338-9416, or e-mail brockru@auburn.edu.

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Source: U.S. Department of Housing and Urban Development

http://portal.hud.gov/portal/page?_pageid=33,716723&_dad=portal&_schema=PORTAL

Retrieved December 19, 2007