REVERSE MORTGAGE

FREQUENTLY ASKED QUESTIONS

Here are some questions people are asking.

What is a Reverse Mortgage?

The Home Equity Conversion Mortgage (also known as the reverse mortgage) was created in 1989 to help older homeowners meet the financial demands of retirement and aging in their home. What makes the HECM so unique is that it provides you access to funds without the financial burden of monthly mortgage payments during your retirement years. You retain title (ownership) to your home as long as you meet the basic requirements of the loan. That includes payment of taxes, insurance, and HOA fees, if applicable, as well as maintaining the property. The loan is ultimately repaid when you or the last surviving borrower (or non-borrowing spouse) pass away, through the sale of the property or refinance by you or your heirs.

Who is eligible?

Homeowners with at least one borrower 62 years of age on title to the home and with sufficient equity may be eligible. The home must be the primary residence.

Does my credit score affect eligibility?

Your credit score is not the determining factor if you are eligible for a Home Equity Conversion Mortgage. An applicant's overall credit history, income and existing financial obligations are considered to determine if a borrower has the financial capacity to meet the ongoing obligations of the loan. In some instances, a set-side of available funds may be required to meet future property obligations such as property taxes and insurance.

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Do I still pay property taxes and homeowner's insurance?

Yes. Although the HECM doesn't require monthly mortgage payments, you are still required to keep making timely property tax and homeowner's insurance premium payments just as you would with a traditional mortgage.

Do I still own my home or does the bank?

You retain title and ownership to the home just as you would with a traditional mortgage. The only time a borrower could risk losing ownership to the home would be due to a loan default. Default includes failure to pay taxes, insurance, or other property charges, failure to maintain the property, or ceasing to reside in the home as the primary residence.

Does my home have to be paid off?

No. You can have an existing mortgage balance and as long as the proceeds of the HECM are sufficient to pay off the existing mortgage, closing costs and fees, you may qualify.

Is my property eligible for the HECM?

The Home Equity Conversion Mortgage (HECM) is for single family, 2-4 unit multi-family, planned unit developments (PUD) and FHA-approved condominiums. In addition, the property must be the borrower's primary residence.

How much money am I eligible for?

The amount of your loan proceeds varies based on the age(s) of the borrower(s), current interest rate, the home's appraised value and the HECM loan product chosen. You will receive an estimate showing you possible loan proceeds for several loan programs.

What costs and fees should I expect?

Similar to traditional mortgages, the HECM costs include: origination fee, closing costs, third party fees and an upfront FHA insurance premium. Most of these costs can be financed into the loan limiting your out-of-pocket expenses. Applicants should anticipate out-of-pocket costs for an appraisal and required HECM counseling.

Can I buy a home with the Home Equity Conversion Mortgage?

Yes. FHA allows for the purchase of a home in one transaction with the HECM purchase program. You can use the proceeds from the sale of your previous home or other cash for your down payment and finance the balance with the HECM. Your down payment is determined by the home's purchase value less available HECM proceeds and loan costs. Even better you don't have any monthly mortgage payments for your new home!

How can I get my cash proceeds?

The HECM has several flexible payout options: a lump sum, partial lump sum payout, monthly installment payouts, line of credit, or a combination of these options. Your access to proceeds is limited in the first year, but you will have access to remaining funds after this time. The unused funds in the line of credit are not charged interest until used and your available credit line may actually increase each month when unused.

When is the loan repaid or due?

Your HECM loan is not due and payable until one of the following occur: 1- the last surviving borrower (or included non-borrowing spouse) has passed away, 2- the home is no longer the primary residence of at least one borrower (or non-borrowing spouse), 3- an absence by both borrowers for a period longer than 12 months, 4- the borrower fails to pay property taxes and homeowner's insurance as required or 5- the property is not maintained and deteriorates to a condition deemed unreasonable by HUD.

Who will help me with the process?

Your loan officer will walk you through every step required for your Home Equity Conversion Mortgage loan and answer any questions you may have.

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