10 questions to ask about

REVERSE MORTGAGES

Experts suggest seniors and their family members have an open discussion about these topics before they apply for a reverse mortgage:

1 Why do you need the money, and how do you intend to use your reverse mortgage loan proceeds?

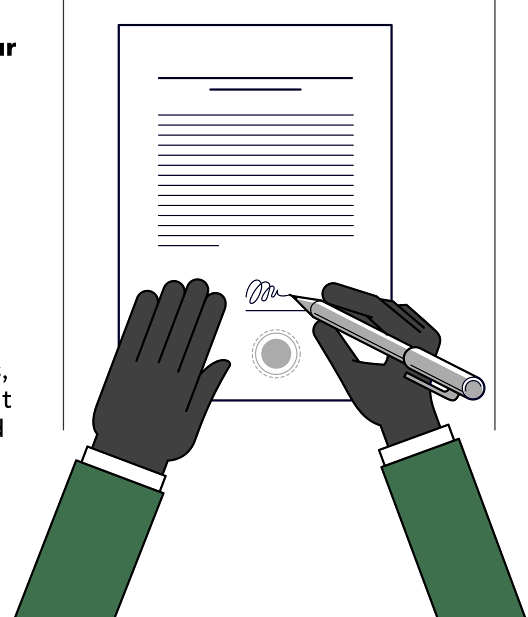
Seniors are free to use their loan proceeds for any reason, such as repairs, in-home care costs, paying bills or ongoing expenses, purchasing a second home or a line of credit for financial emergencies – even vacation. Advocates caution against taking lump-sum loans without a plan to make the money last throughout retirement. In 2015, a new financial assessment tool was introduced by the Department of Housing and Urban Development to help lenders assess borrowers' existing debt and income, including Social Security, pensions or investments. If problems are identified, some lenders will require a "set aside" to pay for property taxes and insurance premiums over the life of the loan.

2 Do you fully understand your obligations as a borrower?

Borrowers don't have to make monthly loan payments, but they must continue to pay property taxes and insurance and prove they still live in the home. They must maintain the property and stay current with any homeowners' or condo fees. If borrowers fail to meet those key obligations, lenders can put the loan in default and move toward foreclosure and eventually eviction.

3 If you are married, will the spouse be a co-borrower and is your spouse on the title of your home?

Spouses who take their name off the home's title to qualify for a reverse mortgage because they aren't yet 62 years old, or whose name isn't on the title for other reasons when the loan is taken out, cannot automatically remain in the home if the borrower dies first. That presents extra hurdles. The surviving spouse can either apply to take over the loan and remain in the home or apply for special protections from HUD to remain a non-borrower. These provisions were not installed until 2014, so previous borrowers who were not on the title have encountered trouble sorting out loan and title paperwork.



4 How will your reverse mortgage loan be repaid?

A reverse mortgage is a "non-recourse" loan, which means borrowers or their estates will never be obligated to pay the lender more than the loan balance or the current value of the home, whichever is less. When you die or permanently leave the home, heirs should be prepared to sell the property and use the proceeds to pay off the loan, use personal funds to pay off the loan, purchase the property or turn over the home to the lender in a "deed in lieu of foreclosure" action. It's important to remember that heirs can't take possession of the home until the debt is paid off.

5 Do you receive assistance under any government programs based on your income?

Reverse mortgages don't affect regular Social Security or Medicare benefits. But if you receive Medicaid or Supplemental Security Income (SSI), reverse mortgages can affect your benefits. The loan is not considered income but may affect eligibility for some means-tested benefits. Loan advances can be counted as assets or "liquid resources," or reserve funding that could reduce your government benefits.

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6 How long do you and your spouse plan to remain in the home?

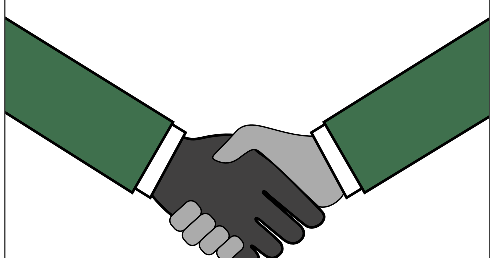
Reverse mortgages can be expensive at the start. Lenders charge as much as $15,000 in closing costs and fees, which get added into your loan balance. Experts suggest that if you don't plan to live in your home for several more years, other options may be better.

7 Have you considered alternatives to supplement your retirement income?

Public or private benefits are available to many seniors. During a required counseling session for reverse mortgages, you should learn about other financial assistance programs like housing assistance, tax deferral and reduction programs, home repair grants or loans, as well as about public assistance through food stamps, fuel subsidies, or social services and health care programs. Seniors also can leverage their home's value in other ways like a home equity loan or line of credit, or cash-out refinance. They also could consider downsizing to a less expensive home or renting out a portion of their home.

8 Have you considered a revocable trust?

Putting a property in a revocable trust can guarantee automatic legal authority for a trustee to represent your interests while you are living and, importantly, after you die. This can help prevent a lengthy probate process in court after you die and help meet your wishes for the property. Advocates say this step can prevent the situation where a loan servicer refuses to work with an heir or estate representative without an expensive court order, probate or guardianship.



9 Have you calculated how much equity you can access?

Reverse mortgages have a maximum lending limit of $726,525, but that doesn't mean you will get a check for that amount. You can use a **free online mortgage calculator** to approximate **what type of loan** fees, interest and plans are available for you.

10 Have you included advisers and family in your decision?

Some seniors choose not to include their family members or heirs in their decision-making. This can be problematic after the borrower dies and heirs encounter unexpected financial headaches. You might also consider hiring an attorney or financial adviser to help you with your decision.

SOURCES: NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION, SANDY JOLLEY

For more information: reversemortgage.usatoday.com

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