CONSIDERING A
REVERSE MORTGAGE?

Proceed with caution

1. Don't sign the loan documents unless you **understand how a reverse mortgage works.**
2. **Know your options** – you may have a better choice.
3. **Have a serious talk** with a federally approved housing counselor who specializes in reverse mortgages.

What is a reverse mortgage?

A reverse mortgage is a special type of home equity loan sold to homeowners aged 62 and older. The loan allows homeowners to access a portion of their home equity as cash. In a reverse mortgage, interest is added to the loan balance each month, and the balance grows.

The loan must be repaid when the last borrower, co-borrower or eligible spouse sells the home, moves out of the home, or dies. Most reverse mortgages today are called Home Equity Conversion Mortgages (HECMs). HECMs are federally insured. If you are interested in a reverse mortgage, first see a HECM counselor.

How does a reverse mortgage work?

After years of paying down your mortgage, you have built up equity (the amount your property is worth today minus the amount you owe on your mortgage and any home equity loan or line of credit) in your home. With a reverse mortgage, you borrow against your equity.

The loan balance grows over time. You don't have to pay back the loan while you or an eligible spouse live in the home, but you still have to pay taxes, insurance, and maintain the home.

When both you and any eligible spouse have passed away or moved out of the home, the loan must be paid off. Most people need to sell their home to pay off the loan. But, neither you nor your heirs will have to pay back more than your home is worth.

Consumer Financial Protection Bureau

Important questions

Are the borrowers the only people who live in the home?

Yes ⊕ You can remain in the home until you move out or die, so long as you keep current on your property taxes, insurance, and home repairs. If you are a co-borrower or eligible spouse, you have the same right.

No ⊖ Anyone living in the home who is not a co-borrower or eligible spouse will be required to move out or repay the loan when you move or die. If you live with a spouse or partner, it usually makes sense to apply as co-borrowers on the reverse mortgage. That way, if you take out a reverse mortgage, the co-borrower can continue to receive payments from the loan while living in the home after you die or move out.

Can I afford my living expenses, property taxes, and insurance?

Yes ⊕ A reverse mortgage can help with these expenses, but it is important to have other retirement resources too.

No ⊖ You could face foreclosure if you run out of money to pay property taxes, insurance, or other housing-related expenses in the future.

Do I plan to remain in my home for a long time?

Yes ⊕ A reverse mortgage usually makes more sense the longer you live in your home.

No ⊖ If a health issue or other event may cause you to move out soon, a reverse mortgage is an expensive way to cover short term cash needs.

Can I wait until I am older?

Yes ⊕ It is usually best to wait, especially if you are in your 60s.

No ⊖ Borrowing too soon can leave you without resources later in life. Remember to look at all your options first.

Consider alternatives

Wait: If you take out a reverse mortgage when you are too young, you may run out of money when you're older and need it more. The older a borrower is, the more money he or she can borrow.

Other home equity options: A home equity loan or a home equity line of credit might be a cheaper way to borrow cash against your equity. However, these loans carry their own risks and usually have monthly payments. These also depend on your income and credit.

Refinance: By refinancing your current mortgage with a new traditional mortgage, you may be able to lower your monthly mortgage payments.

Lower your expenses: There are state and local programs that may help you defer property taxes, lower your heating costs, or save on other bills. Consider selling your home. Moving to a more affordable home may be your best option to reduce your overall expenses.

If you decide on a reverse mortgage

You can save money by borrowing less, and by borrowing gradually. For example, borrowing a smaller amount in the first year of your loan can help you pay less for mortgage insurance.

Line of credit

With a line of credit, you only pay interest on money you use. The amount of money available to you grows over time.

Monthly payout

This can be a good choice if you need additional monthly income to cover daily living expenses. You can combine a monthly payout with a line of credit.

Single disbursement

Single disbursements typically offer less money than other HECM payout options. With a single disbursement, you will pay interest on your money even when you don't spend it.

No matter what payout option you select, there will be some restrictions on how much money you can access in the first year. Learn more: **consumerfinance.gov/askcfpb/233/reverse-mortgage.html**.

You can also use a reverse mortgage to help you purchase a new home. With the HECM for Purchase option, you'll need cash or equity from a prior home to put down a relatively large down payment, and you can use the reverse mortgage to finance the rest of the home purchase.

HUD-approved housing counseling is your best source of information on reverse mortgages

Only a serious discussion with a counselor will give you the information you need to make a good decision about your home. HUD-approved reverse mortgage counselors have the latest information on reverse mortgages.

Tell your counselor everything about your situation. This will help you get the most out of your counseling session.

Come to counseling prepared to discuss:

- Your financial needs and goals
- Your spouse or partner's future housing and financial needs
- The circumstances leading you to consider a reverse mortgage
- The alternatives to a reverse mortgage you have considered

If you have quotes from reverse mortgage lenders, bring them to counseling. Your counselor can help you compare them.

Visit HUD's website (**http://go.usa.gov/v2H**) or call (800-569-4287) to find a qualified reverse mortgage counselor near you.