

This information is forwarded by the **Love Thy Neighbor Ministry** at Saint Rose of Lima Catholic Church, Milton FL.
Source of Information: The Catholic Foundation of Northwest Florida. Due to the many references, some may not be current but have many useful reference sources. Emails are sent using the Blind Carbon Copy (BCC) method.

This quality of life series focuses primarily on senior citizens plus other supplemental information. You do not have to be a Senior to make use of this information. If you know of a Senior, a parishioner or a neighbor who could use this information you are invited to give them a copy of this email. Fellowship through improved communications is guided by the second greatest commandment. Sometimes an act of kindness can be as simple as a phone call, a visit, or receipt of an email.

Suggestion: Create a separate folder of this information for ease of future reference.

For information about our Parish, click on the following link: <http://parishesonline.com/scripts/HostedSites/Org.asp?ID=14423>

Our parish spirit is rising, is rising.

Understanding Reverse Mortgages

http://www.legacygifts.org/savvy_senior.jsp?WebID=GL2004-0129&D=200830

Dear Savvy Senior,

Can you tell me about reverse mortgages? My wife and I are both in our 70's and are interested in learning more about this option.
Homebody Bob

Dear Bob,

Over the years reverse mortgages have been considered loans of last resorts, only for financially desperate seniors. Not anymore! The reverse mortgage industry is booming, helping retirees from all walks of life use their homes to help fund their retirement.

The Basics

A reverse mortgage is a unique loan that lets older homeowners convert part of the equity in their home into tax-free income that doesn't have to be paid back as long as they live there. But who's eligible? How much can be borrowed? What does it cost? And is this right for you? Here are the key points on how a reverse mortgage works and where you can find help.

Eligibility: To be eligible, you must be at least 62 years old, own your own home and currently be living there. There is no income qualification. Even if you have an existing mortgage, you're still eligible, but you must be able to get enough from the reverse mortgage to pay it off.

Ownership: With a reverse mortgage, you, not the bank, own the house, so you are still responsible for property taxes, insurance and repairs. How you choose to spend the money from the loan is up to you.

Types of loans: There are two basic types of reverse mortgages, the FHA insured, Home Equity Conversion Mortgage (HECM) which accounts for about 90 percent of all reverse mortgages on the market. (HECM's limit how much of the home's value you can tap - currently ranging from \$200,160 to \$362,790.) And conventional reverse mortgages, also known as jumbo loans, which are better suited for seniors with higher valued homes - over \$400,000 - because they offer larger loan amounts.

Loan costs: The main drawback of a reverse mortgage is the hefty up-front fees - a 2% lender origination fee, 2% mortgage insurance, along with appraisal fee, closing costs and other miscellaneous expenses. All told, the cost of getting a HECM can run around 5% of the value of your home. Conventional reverse mortgages are generally more expensive. (Note: Most up-front fees can be added to the loan balance, so you'll have no out-of-pocket cost at closing.)

Loan amounts: The amount you get through a reverse mortgage depends on your age, your home's value, where you live and the current interest rates. Generally, the older you are, the more your house is worth, and the lower the interest rates are, the more you can borrow. To calculate how much you may be able to borrow with a HECM visit www.rmaarp.com. You can calculate conventional reverse mortgages on the website of the financial institution you're considering.

Payment options: You can receive the money from a reverse mortgage in a lump sum payment, a line of credit, regular monthly checks or a combination of these.

Loan repayment: A reverse mortgage does not have to be repaid until you, or the last surviving borrower, permanently moves out of the home or dies. Then you or your heirs will have to pay off the loan (which includes the money you actually borrowed plus accrued

interest and fees) either with the proceeds from selling the place, or if they want to keep it, with money from another source. But, you or your heirs will never owe more than the value of the house.

Counseling: Before applying for a reverse mortgage, you are required to first meet with an independent counselor who will spell out the pros and cons, as well as the alternatives (it's free). To find one in your area call the AARP Reverse Mortgage Education Program (800-209-8085), the National Foundation for Credit Counseling (866-698-6322), or Money Management International (877-908-2227).

Tax-free: The money you get from a reverse mortgage is tax-free and won't affect your Social Security or Medicare benefits, but it may affect eligibility for certain kinds of government assistance, such as SSI and Medicaid. Be sure you check.

Reverse lenders: Reverse mortgages are offered by both banks and mortgage lenders. To help you choose one, talk to your reverse mortgage counselor or visit www.reversemortgage.org.

Savvy Tip: To learn more about reverse mortgages visit www.aarp.org/revmort, or call 800-209-8085 and order their free booklet "*Home Made Money*."