



## FAQ's - Frequently Asked Questions About Reverse Mortgages

**Q. Who are reverse mortgages designed for?**

A. They are designed for homeowners at least 62 years of age with some equity in their homes.

**Q. How is a reverse mortgage like a home equity loan? How is it different?**

A. Both use the equity you have built up in your home to provide you with readily available cash. The big difference is that with a home equity loan, you are required to make monthly payments of interest and principal. A reverse mortgage does NOT require any payments for as long as you live in your home.

**Q. I've heard that with a reverse mortgage the lender takes my home. True or false?**

A. FALSE. The borrower retains title to the property. Like any conventional mortgage, the reverse mortgage is a lien on the property, therefore you have the same requirements of payment of property taxes, homeowners insurance, and maintaining the home in reasonable condition.

**Q. Is my current income or credit rating taken into consideration when applying for a reverse mortgage?**

A. No. Since you don't have to make payments, there are no income requirements.

**Q. Can I get a reverse mortgage if I have a conventional mortgage or home equity loan outstanding?**

A. Yes, but the existing mortgage or home equity loan must be paid off at closing with the proceeds from the reverse mortgage. (Mortgage Trust will handle that for you). You can do whatever you like with the cash leftover.

**Q. Will I have to pay income taxes on the reverse mortgage proceeds?**

A. No. Monies received from a reverse mortgage are loan advances and, according to the IRS, not taxable income. Always consult your advisor for tax questions.

**Q. What if my home is in a "living trust"?**

A. It is usually not a problem, however, a review of the trust documents may be required.

**Q. Can I deduct the interest charged on my reverse mortgage loan?**

A. According to the IRS, the interest accrues and is deductible when the loan balance and interest is repaid, when the borrower permanently leaves the property. Again, consult your tax advisor.

**Q. What are the upfront costs associated with a reverse mortgage?**

A. The borrower will have an origination fee and actual closing costs as with any mortgage, however, all of the costs can be financed so there are no "out-of-pocket" expenses.

**Q. Is it possible for my loan balance to become greater than the value of my home?**

A. No, and this is because a reverse mortgage is a "non-recourse" loan, which means that the only recourse the lender has in getting paid back is the value of the home, therefore you can never be "upside-down".



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**Q. Will the proceeds from a reverse mortgage affect my Social Security, Medicare, or pension benefits? What about Medicaid?**

A. No, they do NOT affect Social Security, Medicare, or pensions. Medicaid or other means tested benefits may be affected if proceeds from a reverse mortgage are accumulated. Generally, as long as your cash advances are fully spent every month, there should be no effect. Again, consult your tax advisor.

**Q. I've heard that you can refinance a reverse mortgage if you need more money?**

A. Only if your home increases in value or if interest rates decline significantly.

**Q. Are there any limits or restrictions on how I use the proceeds from a reverse mortgage?**

A. No, you are only limited by your imagination!

**Q. When does the loan become due and payable?**

A. The loan becomes due and payable when the borrower sells the property, permanently leaves the home, or passes away. In the case of a couple, it is when the second borrower moves, sells, or dies, that triggers repayment.

**Q. When it is time for repayment, will my heirs have to sell the property?**

A. Only if they want to. They can keep the property by paying off the reverse mortgage. They can accomplish this by refinancing the reverse mortgage with a conventional mortgage.

**Q. I understand that I will have to get reverse mortgage counseling to qualify?**

A. Yes. This is a federally mandated feature of the reverse mortgage process and it is designed for your own protection. The counselor is from an independent, government approved, housing counseling agency and it is usually done by telephone. The counselor will discuss the pros and cons of reverse mortgage alternatives, including costs.

**Q. What are my responsibilities as a reverse mortgage borrower?**

A. You are responsible for payment of your property taxes, maintaining property insurance, keeping the home in reasonable condition and lastly, notifying the lender if you are going to be away for an extended period of time.

**Q. Are there any pre-payment penalties?**

A. Not on the FHA/HUD reverse mortgage programs. Some of the proprietary jumbo programs have pre-payment restrictions and your loan officer can explain them to you.