



# Reverse Mortgage:

The key to your  
stress-free  
retirement





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You worked hard to get here. Your family, your security, your home – they're fruits of your labor. This is the time of your life when you should stop laboring and start enjoying.

Get a reverse mortgage. It's a type of loan that turns your home's equity into monthly income.

For most Americans, home equity is their most significant form of wealth. Accessing it with a reverse mortgage means accessing a stream of income you can count on, control and keep for as long as you live in your home.

This guide will help you explore reverse mortgages. You'll learn how they work, the types you can choose from, the pitfalls you should avoid and much more. When you're ready to shop, use LendingTree's vast marketplace of lenders to find the best, most competitive reverse mortgage offers available.



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# The Basics

## WHAT'S A REVERSE MORTGAGE?

It's a loan that converts part of the equity in your home to income and pays off and replaces your existing mortgage. That means you no longer make monthly mortgage payments. Instead, the bank pays YOU each month.



**Bonus:** You don't have to repay the loan for as long as you live in your home and can meet financial obligations for the mortgage.

## WHAT'S THE CATCH?

There isn't one. You can start repaying your loan as early as you want with as much (or as little) as you want. You won't face any pre-payment penalties, and you can still enjoy the added flexibility of choosing the payout options you prefer.

## DO PEOPLE REALLY GET REVERSE MORTGAGES?

Oh yeah. More than 1 million Americans have used reverse mortgages to access the equity in their homes\*. Why? It's a vast source of wealth. Nationwide, homeowners age 62 and over have a combined \$6 trillion of equity stored in their homes. That's a lot of cash. You can get your share easily with a reverse mortgage.

## HOW DO I QUALIFY?

You must:

- Be 62 or older.
- Own your home fully or have at least 50 percent equity in your home.
- Use the home as your primary residence.
- Make sure you're not delinquent on any federal debt or loans.
- Pay for an appraisal to assess your property's value.
- Be prepared to pay ongoing homeownership costs — property taxes, insurance premiums, repair and maintenance fees and homeowner association dues, if applicable.



## NEED TO KNOW

Like traditional mortgages, lenders offering reverse mortgages will evaluate your income, credit, employment history and ability to repay before approving you for a loan.

\*Source: The National Reverse Mortgage Lenders Association

\*\*Source: The National Reverse Mortgage Lenders Association/RiskSpan Reverse Mortgage Market Index.



# The Nuts & Bolts

Your Age	+	Property Value	=	Amount You Could Receive
62		\$250,000		\$111,500
74		\$250,000		\$129,750
84		\$250,000		\$153,250
62		\$350,000		\$156,100
74		\$350,000		\$181,650
84		\$350,000		\$214,550

**Before getting your reverse mortgage, ask your lender these 5 questions:**

1. Have any of the loans you've sold defaulted?
2. What fees and charges will you add to the reverse mortgage loan?
3. Will you require a life expectancy set aside if I can't pay my homeowner's insurance or taxes?
4. What happens once I reach the end of my loan term?
5. How do you determine the interest rate on my loan?

## AGE MATTERS

Lenders evaluate your age when setting your borrowing limit and interest rate. Check the chart on the left for how much you can get with a reverse mortgage, based on your age and property values.

## REPAY NOW OR LATER

You don't have to repay your loan until you sell your home, move out permanently or pass away (at which point, your heirs or estate must repay it). If you want, you can start repaying your loan at any time.

## PRIMARY HOMES ONLY

You can only use a reverse mortgage for a home that's your primary residence. That means you live in the home for at least six months and a day out of the year.

## INTEREST CHANGES

Most reverse mortgages have adjustable interest rates, which can rise or fall at any time.



## NEED TO KNOW

Depending on the type of loan you choose, you can get money from a reverse mortgage in a lump sum, a monthly payout, a line of credit or in a combination of all three.



# What a Reverse Mortgage Can Do For You

**Spend more time with friends and family and less time with stress and worry.**

Stability and security for this time in your life. A lump sum to fund your home improvement project. Spending money to tackle that bucket list. No matter your goal, a reverse mortgage is a tool you can use to finance the big (and small) moments in your life.

**With cash from a reverse mortgage, you can:**

- Supplement your regular or retirement income.
- Pay unexpected or lingering expenses, such as medical bills.
- Pay off your existing mortgage and never again make monthly payments.
- Create a financial safety net.
- Enjoy financial flexibility.

## TYPES OF REVERSE MORTGAGES

**SINGLE-PURPOSE REVERSE MORTGAGES:** Offered by some nonprofits and state and federal agencies, these loans are earmarked for one purpose only, such as home repairs or paying property taxes.

**PROPRIETARY REVERSE MORTGAGES:** These are private reverse mortgages offered by banks without government backing that allow lenders to establish their own terms. These are often considered jumbo reverse mortgages because they go to borrowers with higher-valued homes.

**HOME EQUITY CONVERSION MORTGAGES (HECMs):** These federally-insured loans are backed by the Federal Housing Administration and allow borrowers to use proceeds for a variety of purposes. Most reverse mortgages today are HECMs.



## NEED TO KNOW

If you're married, you can name your spouse as a co-borrower on your loan. That will allow your spouse to keep receiving payments even if you die before the mortgage is repaid.

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# Hello, HECM

Most reverse mortgages today are home equity conversion mortgages, or HECMs. The Federal Housing Administration (FHA) insures these loans, which come with lower interest rates and several payment options. Plus, you'll get to talk with a mortgage counselor who will guide you through the process.

## GETTING PAID

HECM borrowers have several payment options.

### They include:

- A lump sum.
- A line of credit.
- A combination of monthly payments and a line of credit.
- Fixed monthly payouts over a certain amount of time.
- Fixed monthly payouts for as long as you live in your home.

## FOR YOUR PROTECTION

**COUNSELING:** You get to meet with a HECM counselor to ensure you're making the best financial decision for your future. Although a requirement, counseling is one of the greatest benefits of getting a reverse mortgage because you'll walk away knowing you've made the right choice.

**INSURANCE:** HECM borrowers pay an initial 2 percent mortgage insurance premium (MIP) at closing, and then pay an annual MIP that's 0.5 percent of the outstanding mortgage balance. MIP will ensure you still get your money, even if your loan servicer goes out of business, and guarantees you'll never pay more than the value of your home when it's time to repay the HECM.



## NEED TO KNOW

A HECM for Purchase loan lets you buy a new home with equity from the sale of a previous one.

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# Pitfalls to Avoid

As beneficial as they are, there are some reverse mortgage pitfalls you should consider carefully. Here are three major ones and tips on how to avoid them.

## 1. YOUR COSTS

Reverse mortgages come with upfront and ongoing costs, including lender fees that range from \$2,500 to \$6,000, mortgage insurance premiums and varying closing costs.

- **Upfront costs:** Initial mortgage insurance premium, origination fee, appraisal fee, closing costs
- **Ongoing costs:** Mortgage insurance, servicing fees, interest, property taxes, homeowner's insurance and home maintenance.

✓ **Pro tip:** Borrow less than 60 percent of your initial principal limit in the first year.

✓ **Pro tip:** Pay the upfront costs out of pocket so they're not bundled with the loan.

## 2. YOUR GOVERNMENT BENEFITS

A reverse mortgage can affect your eligibility for Medicaid and Supplemental Security Income (SSI). A lump sum from your reverse mortgage will count as an asset that puts you over the maximum income limits for these benefits. Monthly payouts do not affect these benefits.

✓ **Pro tip:** Structure your lump-sum payout carefully so you don't become ineligible for Medicaid and SSI.

## 3. YOUR LONGEVITY

You can outlive your loan. Your reverse mortgage proceeds can run out before you die – especially if you get one early in retirement.

✓ **Pro tip:** Choose a “tenure” monthly payout that gives you a fixed monthly payment for as long as you keep the reverse mortgage, even if the loan balance outgrows your home value.



# The Risks

A reverse mortgage is a loan. And loans come with risks. Here are some to consider.

- **FEES AND COSTS**

Like with a traditional mortgage, you'll have to pay lender fees, closing costs and other charges associated with getting a home loan.

- **THE SET ASIDE**

If a lender determines you can't afford the costs of a home, it may set aside a portion of your reverse mortgage payout to cover those expenses. It's called a life expectancy set aside and will reduce the amount of your monthly payout.

- **DWINDLING EQUITY, RISING INTEREST**

As you receive money from your reverse mortgage, interest is added to your loan balance, increasing it over time. Equity in your home also diminishes unless its value dramatically rises.



## NEED TO KNOW

Even with a reverse mortgage, lenders can foreclose on your home. If you're away from it longer than six months for nonmedical reasons or 12 months for medical ones, the home can lose its primary residence status. If you face either of these situations, you'll either have to sell the home to pay off the loan or pay off the mortgage with other assets to avoid foreclosure.

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# The Benefits

The risks sound scary but, for many people, the benefits of taking out a reverse mortgage can outweigh them.

- **NO MORE MONTHLY MORTGAGE PAYMENTS**

The equity you've built in your home is paid to you for as long as you live in it.

- **YOU STILL OWN YOUR HOME**

The lender doesn't foreclose on it as long as you meet the requirements of the mortgage.

- **YOU HAVE REPAYMENT OPTIONS**

You don't have to repay your loan until the term ends or you move, sell your home or otherwise no longer live there.

- **MORE MONTHLY INCOME**

You get tax-free money to maintain your quality of life. Whatever funds you don't use from your loan increases in value over time.

- **YOUR EQUITY BELONGS TO YOU**

Because a reverse mortgage is generated from your equity, you'll never owe more than what your home is worth. Plus, once your loan is repaid, any equity remaining goes to you, your spouse or the heirs to your estate.



# What Happens When You're Gone

Your home isn't just a house — it's an investment, a safe haven, a point of pride. For many, it's an asset they want to pass down to their children and grandchildren. Here's what happens if your heirs inherit your reverse mortgage.

## SATISFYING THE DEBT

A reverse mortgage is a loan — meaning it's debt that needs to be repaid. If you die before that loan is satisfied, your heirs become responsible for paying off the mortgage.

## WHAT IF MY HEIRS CAN'T REPAY THE MORTGAGE?

They may have to sell the home to settle the debt. If the loan balance exceeds the value of the home, the lender often accepts the proceeds from the sale of the home and your mortgage insurance covers the rest.

## WHAT IF I WANT TO KEEP IT IN THE FAMILY?

Let's say your heirs want to keep the home. They'll either have to repay the full loan balance or pay 95 percent of the home's appraised value — whichever is less.

## SPOUSAL PRIVILEGES

If you die, your spouse may be able to continue living in your home as long as they're a co-borrower on the mortgage contract.

**Even if your spouse isn't a co-borrower, they can remain in the home as long as they:**

- Were married to you, the borrower, at the time of the loan closing
- Were named as a non-borrowing spouse in mortgage documents
- Use the home as their primary residence
- Can prove they have the legal right to remain in the property
- Can continue paying property taxes, homeowner's insurance and other homeownership fees



## NEED TO KNOW

Non-borrowing spouses who get a HECM will not continue receiving money from the reverse mortgage if the borrowing spouse dies.

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# Things To Avoid

New federal regulations have made reverse mortgages a safer and more popular option for millions of Americans. Still, there might be lenders out there looking to take advantage of borrowers. Watch out for some of these tricks.

## TURNING UP THE PRESSURE

A lender convinces a borrower to take out a reverse mortgage that isn't the customer's best option. The lender pressures the homeowner into quickly purchasing a reverse mortgage, knowing it's financially unsuitable for the borrower.

## SAVING YOU FROM FORECLOSURE

A schemer persuades a senior citizen facing foreclosure to take out a reverse mortgage to save the property. The perpetrator steals the proceeds of the reverse mortgage and then tells the borrower that they did not qualify for the loan.

## DIVERTING HOME FUNDS

Unscrupulous real estate agents convince seniors to take out a reverse mortgage to buy a lower-cost house without a down payment. These homes are often in disrepair, and the scammer finds a way to divert the proceeds from the sale to themselves.

## ALSO GET SUSPICIOUS WHEN...

- A lender tries to convince you to delay collecting Social Security in favor of taking out a mortgage.
- A seller offers you a home with no down payment and requests that you transfer the deed to them for free (this is an attempt to pilfer payments from your reverse loan).
- A vendor or contractor tries to persuade you to take out a reverse mortgage to pay for repair work.

## HOW TO PROTECT YOURSELF:

- Never respond to unsolicited ads.
- Never accept payment from a home you didn't buy.
- Never trust a lender who says you can buy a home with no money down.
- Never sign documents you don't fully understand.
- Attend your closing in person.
- Speak with a reverse mortgage counselor approved by the U.S. Department of Housing and Urban Development.

## YOU'RE NOT ALONE

LendingTree carefully screens the lenders on of its marketplace. When you do business with any of LendingTree's partners, you're doing it a reputable lender with your best interests in mind.

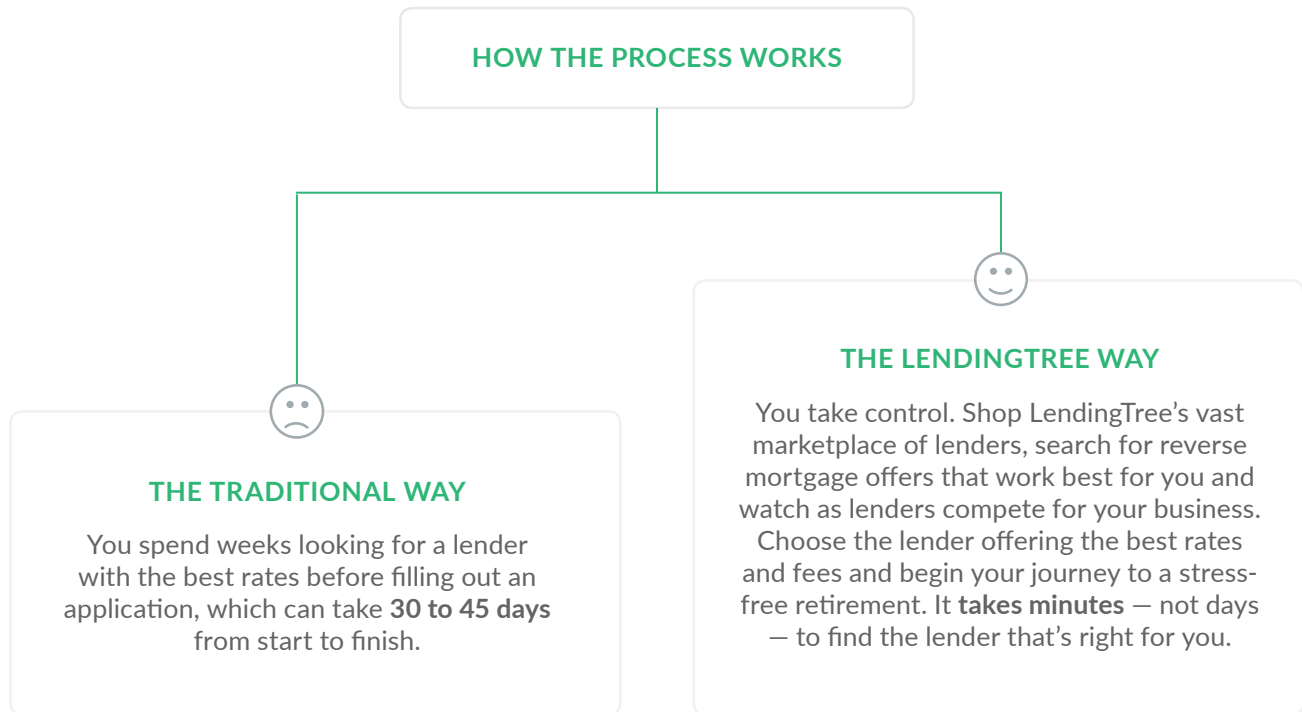


# Shopping for a Reverse Mortgage

Yes, there's a lot to weigh before taking out a reverse mortgage but, once you take this step, the benefits can make your golden years your best.

## READY FOR A REVERSE MORTGAGE?

Find one that suits your lifestyle. LendingTree will connect you with a marketplace of lenders ready to compete for your business. Speak to each lender and choose the best one for you.



## HELP, A PHONE CALL AWAY

Visit [lendingtree.com/home/reverse/](https://lendingtree.com/home/reverse/) or call 1-800-351-3904 to speak with a lender about your reverse mortgage options today.