

Ask the Experts...

Reverse Mortgage is it Right for You?

How is a reverse mortgage different from a home equity loan?

Both a reverse mortgage and a home equity loan use the equity in your home to generate cash. With a home equity loan, you need to make monthly payments on the principal and the interest. With a reverse mortgage, you don't need to make monthly payments for as long as you stay in the home. Your loan balance increases each time you receive a payment. Interest is repaid only after you sell or permanently leave the home.

How much money can I get?

The amount you can borrow depends on several factors: your age, the type of reverse mortgage you select, current interest rates, the location of your home, the appraised value of your home, and the Federal Housing Administration(FHA) lending limits for your area.

How can I receive the cash from a reverse mortgage?

You have a range of options:

- Lump Sum
- Monthly payments
- Line of Credit (take funds when you need them)
- A combination of the above

Will my current income affect my eligibility?

No. You don't make monthly repayments with a reverse mortgage, so there is no income qualifications.

What if I still owe money on a first or second mortgage?

You may still be eligible for a reverse mortgage depending on the amount of your remaining mortgage versus the value of your home. The funds from a reverse mortgage would first be used to pay off whatever existing mortgages you may have on the property.

How will it affect my government benefits?

The funds from a reverse mortgage generally do not affect regular Social Security or Medicare benefits. Your reverse mortgage consultant can help assess your specific situation. However, need-based benefits, such as Medicaid and Supplemental Security Income(SSI), may be impacted.

Contact a tax professional about your particular situation.

Are interest rates fixed or variable?

Most reverse mortgages have variable rates that are tied to a financial index and will vary according to market conditions. Some companies offer both variable and fixed rate reverse mortgages. In a rising interest rate market, the balance on a variable-rate reverse mortgage will grow more quickly than on a fixed-rate reverse mortgage. You may also want to consult a tax professional to help with your decision.

Can a reverse mortgage be refinanced?

Yes, refinancing is possible. This option can be advantageous if the home increases in value, making more equity available.

Besides the interest, are there other fees?

Most reverse mortgages have an origination fee, closing costs, a monthly mortgage insurance premium, and a monthly servicing fee. These can be paid by the reverse mortgage itself, so there is no immediate burden to you. The costs are added to the principal and paid along with the interest when the loan becomes due.

What has to be repaid when the loan becomes due?

The loan balance needs to be repaid, including interest and fees. This is usually done through the sale of the home or other assets of the estate. Repaying the reverse mortgage through a conventional mortgage is also an option.

How will a reverse mortgage affect the estate I leave to my heirs?

When the loan becomes due, you or your estate must repay the lender for the cash received from the reverse mortgage, plus interest and service fees. The loan can be repaid by selling the property, by refinancing, or from other assets. Any sale proceeds in excess of the loan balance belong to you or your heirs. If you sell the home for a fair market price that is less than the loan balance, then there would be no proceeds to keep, but the bank cannot claim from you or your estate more than the sale amount received.

When will the principal and interest charges become due?

The reverse mortgage loan must be paid in full when one of the following occurs:

- All borrowers permanently move out of the home

- The last surviving spouse passes away, sells the home, or fails to live in the home for 12 consecutive months
- You fail to pay property taxes or insurance
- You let the property deteriorate beyond what is considered reasonable wear and tear, and do not correct the problems.

What is one of the co-borrowers passes away?

The surviving borrower can continue to win and live in the home-and enjoy all the benefits of the reverse mortgage.

For more information on Reverse Mortgages, please contact:

Chris Bruser

Reverse Mortgage Consultant

MetLife Bank, N.A.

813-464-5221

cbruser@metlife.com