Is a Reverse Mortgage Right for You?

Non-profit Take Charge America shares insights for seniors considering a Home Equity Conversion Mortgage

PHOENIX – (Jan. 21, 2014) – Seniors are living longer than ever before. Medical advances and a focus on healthy living have dramatically improved longevity, but living longer presents a complication: the potential to outlive savings.

Older adults often do not anticipate the high costs of health and long-term care, or the uncertainty of Social Security and Medicare. As a result, many are exploring reverse mortgage loans.

A reverse mortgage, also referred to as a Home Equity Conversion Mortgage (HECM), enables homeowners 62-years and older to convert part of their home equity into tax-free cash.

“The economy has been tumultuous in recent years, and seniors have been particularly affected,” said Mike Sullivan, chief education officer for Take Charge America, a national non-profit credit and housing counseling agency. “For some, a reverse mortgage may prove a good solution for generating extra cash and living more comfortably in their golden years.”

To help seniors understand whether a reverse mortgage is appropriate for their financial situations, Sullivan offers five considerations:

1. **Loan fees**: Borrowers are tasked with paying upfront mortgage insurance, origination fees and closing costs. It’s critical for seniors to read the fine print and understand the fees they’re paying.

2. **Taxes and insurance**: With a reverse mortgage, seniors borrow money against the equity of their homes and are not required to make loan payments. However, they still must pay property taxes and homeowners insurance, or they risk foreclosure.

3. **Home maintenance**: Seniors are responsible for home maintenance, but cannot take out a home equity loan or second mortgage to cover repairs.

4. **Home equity**: The borrower’s home equity is reduced by the amount of the reverse mortgage. The estate will receive whatever equity hasn’t been borrowed.

5. **Loan repayment terms**: The loan is due when the borrower sells the home, lives away from the home for 12 consecutive months, fails to pay property taxes or insurance, or passes away. The principal, interest and closing costs are repaid from the proceeds of the sale of the house. If the heirs elect not to sell, the money is paid from the estate.
To obtain a reverse mortgage, the U.S. Department of Housing and Urban Development requires seniors to undergo reverse mortgage counseling from an approved third-party organization like Take Charge America. Certified HECM counselors guide seniors through the process, the loan terms, financial and tax implications, and alternatives. To learn more, call Take Charge America at 1-866-987-2008.

**About Take Charge America, Inc.**

Founded in 1987, Take Charge America, Inc. is a non-profit agency that provides financial education services, including credit counseling, housing counseling, student loan counseling and debt management. It has helped more than 1.6 million consumers nationwide manage their personal finances and debts. To learn more, visit [www.takechargeamerica.org](http://www.takechargeamerica.org) or call (888) 822-9193.

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