

WEEKLY FEATURE



Reverse Mortgages & Your Financial Planning Concerns

[By Ron Cahalan]

Reverse mortgages are becoming increasingly popular over the last several years. The number of federally insured reverse mortgages increased by over 70,000 in just the last five years. What the consumer needs to realize is that there are a variety of programs and that the FHA/HUD-insured program, although the most popular, is just one of them. There are a number of other proprietary reverse mortgage products.

The consumer must understand the kind of reverse mortgage he or she may be applying for. If you are applying for the FHA/HUD program, that fact is clearly stated on the application and the various disclosures. The primary difference between the FHA/HUD program and the proprietary programs is that the former program is insured by FHA/HUD.

Most of the proprietary programs are typically higher in rates, caps, and costs than the FHA/HUD program. The FHA program requires that the borrower attend a counseling and education session at an approved agency to make sure the terms are fully understood. The proprietary programs also offer some counseling, but this is

typically performed by an employee of the lender or a loan officer.

Now that said, the proprietary programs may offer the borrower the ability to borrow more of their equity than the FHA program. The FHA/HUD program is limited to the average sales price in your specific county. If you are a homeowner with a greater home value than the average, then the FHA may not be the better program.

Reverse mortgages are quickly becoming one of the most popular financial planning tools for the homeowner over 62 years of age. Many are using the program to eliminate their current mortgage obligation. They are also using it to help offset the

increasing cost of living, such as from medical bills, or to fund second or vacation homes.

And finally, there is no personal liability for the repayment of the mortgage balance. The recovery of the reverse mortgage is tied to the value of the real estate mortgage and eventual sale of that property.

Take a hard look at this program, as it is a very nice program for many seniors. Good Luck!

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