

# How Much Cash Can You Get from a Reverse Mortgage

Contributed by Don Seibert

Before we get too deep into that amount that you can expect out of a Reverse Mortgage on your home, let's first clarify that Federal law requires that before signing anything, a person considering a reverse mortgage must receive mandatory counseling at no charge provided by an independent third party so that you understand the ramifications of what you're doing.

Because of some problems in the 1990s, this is one of the federal safeguards have been put into place to that ensure seniors get a fair deal. For instance, the fee to originate a reverse mortgage varies only slightly because the maximum you can be charged is 2-percent of the value of your home, up to the FHA mortgage limit in your area. There's no need to shop interest rates because they are the same nationwide.

On Reverse Mortgages, It's important for seniors to understand that while they are not making payments on the loan, interest is accruing and is being added to the principal. In other words, the outstanding loan value gets larger and their equity gets smaller over time -- just the opposite of a regular mortgage. Insurance is in place on a reverse mortgage to ensure that you will always receive your monthly payment and, when you move out of the home or pass on, the amount owed will never exceed that equity in the home. Unlike a traditional loan, with a Reverse Mortgage, It's also important to recognize how your estate will be affected.

You can only qualify for a reverse mortgage only on a property that is your primary residence. Just as with a regular mortgage, you will be responsible for maintaining the property in good condition, as well as for paying property taxes and homeowner's insurance.

The amount that can you actually pull out of your home with a reverse mortgage depends upon three factors: your age, the value of your home and current interest rates. The older you are, the more money you can borrow. Your shorter life expectancy means fewer years for the loan value to build up.

While you generally apply for a reverse mortgage through a local mortgage broker (some banks also offer them), they are generally all backed by one of two entities - Fannie Mae, a quasi-governmental buyer of mortgages, and the federal Housing and Urban Development Agency, or H.U.D. Reverse mortgages backed by both Fannie Mae and H.U.D. come with federal insurance that guarantees the payments. However, each uses different factors to determine how much they're willing to lend.

There is even a reverse mortgage for the wealthy, but house-poor. They are called "Jumbo Reverse Mortgages" for those who have homes valued at more than the standard limits (currently \$400,000) of the FHA and HUD. These are called "Proprietary" reverse mortgages and the Lenders are commercial institutions and they use non government, commercial insurance to back the reverse mortgage.

The National Reverse Mortgage Lender's homepage has a nifty calculator that will let you run a side-by-side comparison. All you have to do is fill in the homeowner's date of birth (you must be at least 62), value of the home, and zip code. In seconds it tells you how much of a reverse mortgage each lender will provide.

Taking a hypothetical home worth \$120,000 in a zip code near where I live, but varied the age of the applicant. H.U.D.'s "Home Equity Conversion Mortgage" (HECM) provides a bigger loan, mainly because it's based on lower interest rate projections than the ones used in Fannie Mae's "Homekeeper" product..

If you are 65, you could get a Lump Sum of \$73,389 or \$395 per month for life.

If you are 75, you could get a Lump Sum of \$81,881 or \$503 per month for life.

If you are 85, you could get a lump sum of \$91,606 or \$748 per month for life.

When you close on a Reverse Mortgage, there's lots of flexibility to arrange payments the way you wish. For instance, instead of receiving monthly payments for a long as you live, you could choose to receive them for a certain period of years. Or use a combination of, say, 15 years or life, whichever is longer. Alternatively, you can simply set up a line of credit that you can tap into for varying amounts whenever you need the cash.

If you are a senior citizen, you can be sure that your children would not want you to "do without"! You worked hard all those years to build equity in your home, now it might be time for your home to pay you -- for a change! Take the idea seriously and investigate it thoroughly. You will be glad you did!

Resources: Don Seibert is a retired business executive who, as an Expert Author, writes timely articles on many issues

concerning retirement. He has extensive experience in residential mortgages and is the host of <http://www.retiree-finance.com>. Visit the site for a complete discussion of Reverse Mortgages