Frequently Asked Questions about HUD's Reverse Mortgages

The Home Equity Conversion Mortgage (HECM) is FHA's reverse mortgage program, which enables you to withdraw some of the equity in your home. The HECM is a safe plan that can give older Americans greater financial security. Many seniors use it to supplement Social Security, meet unexpected medical expenses, make home improvements and more. You can receive additional free information about reverse mortgages in general by contacting the National Council on Aging at (800) 510-0301. It is smart to know more about reverse mortgages, and decide if one is right for you!

1. What is a reverse mortgage?

A reverse mortgage is a special type of home loan that lets you convert a portion of the equity in your home into cash. The equity that you built up over years of making mortgage payments can be paid to you. However, unlike a traditional home equity loan or second mortgage, HECM borrowers do not have to repay the HECM loan until the borrowers no longer use the home as their principal residence or fail to meet the obligations of the mortgage. You can also use a HECM to purchase a primary residence if you are able to use cash on hand to pay the difference between the HECM proceeds and the sales price plus closing costs for the property you are purchasing.

2. Can I qualify for FHA's HECM reverse mortgage?

To be eligible for a FHA HECM, the FHA requires that you be a homeowner 62 years of age or older, own your home outright, or have a low mortgage balance that can be paid off at closing with proceeds from the reverse loan, have the financial resources to pay ongoing property charges including taxes and insurance, and you **must** live in the home. You are also required to receive consumer information free or at very low cost from a HECM counselor prior to obtaining the loan. You can find a **HECM counselor online** or by phoning (800) 569-4287.

Want More Information?

Learn more about HECMs and understand your options...

Go to **HECM Home Page**.

3. Can I apply for a HECM even if I did not buy my present house with FHA mortgage insurance?

Yes. You may apply for a HECM regardless of whether or not you purchased your home with an FHA-insured mortgage.

4. What types of homes are eligible?

To be eligible for the FHA HECM, your home must be a single family home or a 2-4 unit home with one unit occupied by the borrower. HUD-approved condominiums and manufactured homes that meet FHA requirements are also eligible.

5. What are the differences between a reverse mortgage and a home equity loan?

With a second mortgage, or a home equity line of credit, borrowers must make monthly payments on the principal and interest. A reverse mortgage is different, because it pays you – there are no monthly principal and interest payments. With a reverse mortgage, you are required to pay real estate taxes, utilities, and hazard and flood insurance premiums.

6. Will we have an estate that we can leave to heirs?

When the home is sold or no longer used as a primary residence, the cash, interest, and other HECM finance charges must be repaid. All proceeds beyond the amount owed belong to your spouse or estate. This means any remaining equity can be transferred to heirs. No debt is passed along to the estate or heirs.

7. How much money can I get from my home?

The amount varies by borrower and depends on:

- Age of the youngest borrower or eligible non-borrowing spouse
- Current interest rate; and
- Lesser of appraised value or the HECM FHA mortgage limit of $625,500 or the sales price

If there is more than one borrower and no eligible non-borrowing spouse, the age of the youngest borrower is used to determine the amount you can borrow.

8. Should I use an estate planning service to find a reverse mortgage lender?

FHA does NOT recommend using any service that charges a fee for referring a borrower to an FHA-approved lender. You can locate a FHA-approved lender by searching online at **www.hud.gov** or by contacting a HECM counselor for a listing. Services rendered by HECM counselors are free or at a low cost. To locate a HECM counselor **Search online** or call (800) 569-4287 toll-free, for the name and location of a HUD-approved housing counseling agency near you

9. How do I receive my payments?

For adjustable interest rate mortgages, you can select one of the following payment plans:

Tenure- equal monthly payments as long as at least one borrower lives and continues to occupy the property as a principal residence.

Term- equal monthly payments for a fixed period of months selected.

Line of Credit- unscheduled payments or in installments, at times and in an amount of your choosing until the line of credit is exhausted.

Modified Tenure- combination of line of credit and scheduled monthly payments for as long as you remain in the home.

Modified Term- combination of line of credit plus monthly payments for a fixed period of months selected by the borrower.

For fixed interest rate mortgages, you will receive the Single Disbursement Lump Sum payment plan.

Single Disbursement Lump Sum - a single lump sum disbursement at mortgage closing.

10. What if I change my mind and no longer want the loan after I go to closing? How do I do this?

By law, you have three calendar days to change your mind and cancel the loan. This is called a three day right of rescission. The process of canceling the loan should be explained at loan closing. Be sure to ask the lender for instructions on this process. Mortgage lenders differ in the process of canceling a loan. You should ask for the names of the appropriate people, phone numbers, fax numbers, addresses, or written instructions on whatever process the company has in place. In most cases, the right of rescission will not be applicable to HECM for purchase transactions.

Go to **HECM Home Page**.