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Considering a Reverse Mortgage

Considering a Reverse Mortgage?

Authored By: Community Legal Services of Mid-Florida, Inc.

FAQ

What is reverse mortgage?

A Home Equity Conversion Mortgage (HECM), sometimes called a Reverse Mortgage, is a special type of home loan from the Federal Housing Administration (FHA) which allows you to withdraw some of the equity paid into your home. An FHA HECM is a safe mortgage product that can help seniors access funds for medical expenses or supplemental income. Unlike a traditional mortgage, borrowers do not have to repay it until they no longer own the home or no longer use the home as a primary residence. Generally, the proceeds are paid in equal monthly payments to the homeowner but homeowners can also opt to receive payments as a line of credit. Many seniors use the funds for unexpected medical expenses, to supplement Social Security, or to make home improvements.

What are the requirements to qualify for the FHA HECM Program?

You must:

- Be 62 years of age or older
- Be the owner of the property or have a considerable amount of equity
- Occupy the property as the principal residence
- Not be delinquent on any federal debt
- Participate in a consumer information session with a HUD-approved HECM counselor

What kinds of properties are eligible for the FHA HECM Program?

- Single Family homes
- 2-4 unit homes that are owner occupied
- HUD Approved condominium project
- Manufactured homes that meet FHA requirements.

What if my mortgage is not an FHA loan?

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

How much money can I get from my home?

The amount you may borrow depends on:

- Age of the youngest borrower
- Current interest rates
- Lesser of the appraised value or the HECM FHA mortgage limit of \$625,000 Initial Mortgage Insurance Premium

Will there be an estate to leave to my heirs?

All proceeds beyond the HECM finance charges, interest, and cash will be passed along to your spouse or estate. In other words, remaining equity can be transferred to heirs.

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

It is not recommended that consumers use a service that charges a fee to assist with these services. FHA and HUD have provided free counseling services for seniors considering an FHA HECM loan.

I still have questions. Who can I contact for more information?

- Community Legal Services of Mid-Florida 407-841-7777 x 2116 www.clsmf.org
- Federal Housing Administration (FHA) 1-800-CALL-FHA www.fha.gov
- U.S. Department of Housing & Urban Development (HUD) 1-800-569-4287 www.hud.gov
- The National Council on Aging 1-800-510-0301 www.ncoa.org

Links:

[Considering a Reverse Mortgage?](#)

[HUD information about reverse mortgages](#)

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