

Is A Reverse Mortgage Right For You?

With Americans living longer, many seniors are turning to a reverse mortgage to help provide financial security during their retirement years. The objective of a reverse mortgage is to keep seniors in their homes comfortably and securely while generating income.

A reverse mortgage allows seniors over 62 years of age to access a portion of the equity in their home. Rather than making a payment to your lender each month, the lender pays you.

In order to qualify for a reverse mortgage, the home should be at least 70-80 percent paid off and be valued between \$65,000 and \$265,000. Your home must be your "principal residence" which means you must live in it more than half the year.

If you have any debt against your home, you must either pay it off before getting a reverse mortgage or use an immediate cash advance from the reverse mortgage to pay off the debt. If you don't pay off the debt, you cannot qualify for a reverse mortgage.

Payments from a reverse mortgage are not taxable since they are not in the form of a conventional loan and therefore these payments will not affect your Social Security or Medicare benefits.

Proceeds from a reverse mortgage can be used for anything—daily living expenses, home repairs and improvements, prescription drugs, long-term health care and other needs.

During the life of the loan, the borrower does not make any payments to the lender. The loan does not have to be repaid until after the death of



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the surviving borrower or after the surviving borrower ceases to occupy the home as a principal residence.

Remember that reverse mortgage borrowers are still homeowners and are still responsible for taxes, insurance and upkeep.

Because reverse mortgages are "nonrecourse" loans, lenders do not have recourse to anything but your home when seeking repayment. They have no rights to your income, your other assets, nor those of your heirs. Reputable lenders don't want your house, they want repayment.

Should you decide to take out a reverse mortgage and then change your mind, you have three days after closing to reconsider your decision. If for any reason you decide you do not want the loan, you can cancel it by written letter.

Because your home is such a valuable asset, your community banker suggests you take time to consult with your family, attorney or financial planner to make sure a reverse mortgage is right for you. Your community banker also can provide you with a list of possible counselors.

Provided as a public service by the Pennsylvania Association of Community Bankers.



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Note: These tips are intended to provide accurate, yet general consumer information. They are not intended to provide legal, accounting or other professional services. Please contact a professional service provider for specific questions.