

REVERSE MORTGAGES

by **BARBARA NEVINS TAYLOR**

A reverse mortgage allows you to use your house as piggy bank and borrow the money that you have built up in equity over the years you've owned the home. But many consumer advocates think this is a dangerous way to use your real estate nest egg.

Many lenders no longer offer reverse mortgage. Yet if you need the money, and you feel comfortable with the terms, it might work out for you.

AGE REQUIREMENT

If you are at least 62 years old and you've paid off your mortgage, or have a small mortgage remaining, it's likely that you'll qualify.

HOW IT WORKS

"The reverse mortgage is the bank lending you your money," explains Mike Copley, Executive Vice President of [TD Bank](#). But the money they lend eliminates the capital that you have invested in the house. (TD Bank does not offer reverse mortgages).

FHA REVERSE MORTGAGE

The FHA part of the federal Housing and [Housing and Urban Development Administration](#) or HUD has a reverse mortgage program and government officials think it's useful. Manny Alvarado a HUD housing specialist says, "The older you are, the more you can borrow. You can get 50, 60 and up to 70 percent in some cases, depending upon how much equity you have."

[FHA](#) reverse mortgages offer some protection if the price of your home falls. HUD's Alvarado says, "A lot of the values on properties have gone down. With FHA we will insure that loan for the original amount that was made to the lender."

You can find details about an FHA-insured reverse mortgage at http://www.fha.com/fha_reverse.cfm.

CONCERNS ABOUT HEIRS

Yet it is reasonable to worry about your heirs and question whether they will lose. In some cases, heirs have the opportunity to repay the money. "If your children take over the house when you pass away, their only obligation is to get financing to pay off the reverse mortgage," Alvarado says.

But if you've taken a great deal of money out, it's possible that your heirs will lose the property warns TD Bank's Copley, "There might not be enough equity to pass the home on. If there is not, the lender takes the home."

FEES

Costly reverse mortgage fees are another negative because they take a big chunk of your money.

Kenneth R. Totten, Vice President and Chief Lending Officer of [Metuchen Savings Bank](#) in New Jersey, says, "Fees can range anywhere from \$8,000 to \$16,000. Consumer advocacy groups are concerned that lenders take advantage of people who need money and use their homes for reverse mortgages. And there have been predatory fees associated with those types of mortgages."

TAKE CARE

If you decide to get a reverse mortgage, it's very important to pay attention to all of the details. Learn about the fees and what you might lose before you sign up.

