

[Reverse Mortgage: How it Works, Its Benefits and Drawbacks](#)

Senior reverse mortgages are different from traditional home loans in several ways. Before you decide to get a reverse mortgage, it's a good idea to learn as much as you can about them; learn such things as how they work, their benefits and even their drawbacks.

In a senior reverse home mortgage, you never make a monthly mortgage payment for as long as you live in your home. In reality, the opposite occurs: The lender gives YOU money in one of three ways: a one time amount of money, a credit line or monthly payments.

Because of this, the debt in your house gets larger as time goes on and you get more cash from the loan. At the same time, the equity in your home decreases.

Whenever the time comes to pay back your reverse mortgage - you move out of the home or you die -, the debt may be large and you may have little equity left in the house. However, no matter how much money you owe, it can never be more than the value of the home.

Since you don't make any monthly payments, you don't need to have a steady income to qualify. You can have no income and still qualify for a senior reverse mortgage. As a matter of fact, many seniors get this type of loan because it offers them a "second" income. In addition, your credit history is of no concern.

The only requirements you must fulfill are that you are 62 years old, you live in the house and that there is enough equity in the home.

The amount of money you can borrow depends on three factors:

Your age

The current market interest rate

The home appraised value or the FHA's reverse mortgage limit for your area

As a general rule, the older you are, the more expensive your home is and the lower the interest rates are, the more money you can borrow with a seniors reverse mortgage.

It is important for you to remember that since you keep ownership of the house, you are still required to pay real estate taxes, insurance and general maintenance costs.

Reverse Mortgage Pros

A reverse mortgage has many benefits associated with it. These are some of its most important ones:

You don't need to leave your home. You can stay in your home for as long as you want.

You don't need income to qualify. The lender is the one paying you.

You don't need to make any repayments on a reverse mortgage

You can't lose your house because you can't make mortgage payments

You can never be evicted your home for as long as you live in it. However, you still need to make real estate, insurance and maintenance payments.

You can use the money from the seniors reverse mortgage for any purpose you want

The funds are usually tax deductible

Most reverse home mortgages have no earnings limitations

Your Social Security and Medicare payments are for most people not affected

Reverse Mortgage Cons

As with any type of mortgage, a senior reverse mortgage has some drawbacks. Many of them are only potential and depend on your individual situation. Nevertheless, it's a good for you to know about these drawbacks before choosing to apply for a reverse mortgage.

These are a few things you want to consider before choosing a reverse mortgage:

Almost all reverse mortgages have variable interest rates. Your rates will change as the market changes.

Since reverse mortgages work by decreasing your home equity, you can use up most of your home equity, leaving little money left from the sale of the house for you and your heirs. However, a "non-recourse" clause found in most reverse home loans prevents either you or your heirs from owing more money than your home is worth.

Since you keep ownership of the home, you are still responsible for real estate taxes, insurance and maintenance costs.

Most lenders charge origination fees and other closing costs for a reverse mortgage. Lenders also may charge servicing fees during the duration of the home mortgage. These fees are already included in the mortgage.

The interest paid on a reverse mortgage is not deductible in your income tax returns until the home mortgage is paid off (in part or whole.)

There is usually a cheaper solution to your problems (credit line, refinancing your existing mortgage, etc.)

To make sure you get a good deal, get a reverse mortgage using a trusted lender and a mortgage broker specializing in reverse mortgages. A good reverse mortgage broker will educate you throughout the process.

About the Author

Before you get a [Reverse Mortgage](#), make sure you learn all about them. You can look over dozens of educational articles at [Senior Reverse Mortgage](#).

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