

FHA Offers Seniors More Affordable Reverse Mortgage

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A more affordable version of the Home Equity Conversion Mortgage (HECM) has been announced by the Federal Housing Administration in an effort to help struggling seniors access the equity in their homes to pay living and healthcare expenses.

The new HECM Saver has lower upfront closing costs for homeowners who want to borrow a lesser amount than what is available through the standard HECM loan. The option will become available on Oct. 4, 2010.

FHA Commissioner David H. Stevens said that the agency designed the new reverse mortgage loan product because many seniors have found the HECM fees to be too expensive. HECM Saver significantly lowers the upfront Mortgage Insurance Premium that is required for a standard HECM loan.

HECM Saver will carry an upfront premium of 0.01 percent of the property's value, as opposed to the two percent premium that was required for a standard HECM loan. The monthly Mortgage Insurance Premium will be charged at an annual rate of 1.25 percent of the outstanding loan balance.

The FHA said they could offer the lower fees because the risk is less when homeowners are borrowing less. Those who opt for the HECM Saver will get 10 to 18 percent less than they would receive under a standard HECM loan.