

What is a Reverse Mortgage?

By: Hyatt and Weber

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Individuals over age 62 with significant equity in their primary home may want to consider a reverse mortgage as a source of additional income. A reverse mortgage uses the equity in a home as a basis for providing income to homeowners. A traditional mortgage leverages the value of the home to allow a homeowner to live in the home by paying for it overtime. The mortgage company actually owns the home up to the value of the mortgage.

Although a home is most people's largest asset, it is not a liquid asset which can be used to pay for medical expenses, groceries or vacations. A reverse mortgage allows the homeowner to borrow money against the value of the home and receive income without having to sell the home. Some reverse mortgages do not have to be satisfied until the house is sold.

Reverse Mortgage Drawbacks

While a reverse mortgage can provide immediate cash, some reverse mortgages have high fees which must be paid up front and other reverse mortgages have fees which come out of the value of the home when it is eventually sold. Some reverse mortgages also have steep interest rates. Interest on a reverse mortgage isn't paid each month as with a conventional mortgage. The interest on a reverse mortgage is taken out of the homeowner's equity. The interest rate on any one reverse mortgage is a significant factor in analyzing its risks and benefits because the home principal and interest on the reverse mortgage is repaid when the home is sold.

Get Legal Help

An experienced estate planning attorney can help you understand all your options for asset preservation and growth. Experienced Estate Planning Attorney Linda T. Cox can discuss all your options and create a plan with you. Call Ms. Cox at Hyatt & Weber, P.A. today at 410-505-4553.