

CHAPTER 5

(EXCERPTS)

REVERSE MORTGAGES

Many seniors spend most of their lives paying for their homes. In 1989, the Federal Housing Authority (FHA) established a Home Equity Conversion Mortgage. Several years later, Fannie Mae set up a conventional reverse mortgage called the Home Keeper Reverse Mortgage.

FHA and Fannie Mae require a free financial counseling session with an impartial, nonprofit agency in order to get approval. Here facts about reverse mortgages:

- The minimum age for applicants is 62, and the home must be a primary residence.
- There are no monthly payments as long as the borrower lives in the home. If they move, or are deceased, the loan becomes due and is generally paid from the proceeds of the sale of the house.
- The loan can be in a lump sum, monthly payments, an equity line of credit, or a combination.
- The money is considered a loan. It is not income and is tax-free.
- Proceeds from the loan should not affect Social Security or Medicare Benefits.
- The loan should not affect Medicaid eligibility or public assistance programs so long as the case does not exceed the limit set by that particular program.