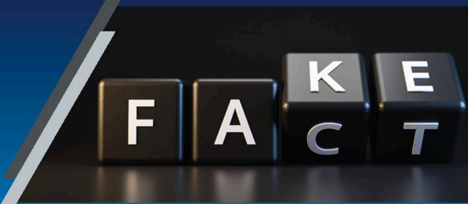
celebrity home loans

REVERSE MORTGAGE MYTHS & MISCONCEPTIONS

Know your facts! Explanations to common reverse mortgage misconceptions.



Myth. A reverse mortgage is like a home equity loan.

Fact. A home equity loan will require that you repay the loan by making regular monthly payments, whereas a reverse mortgage loan does not require monthly mortgage payments (borrowers must maintain the property and remain current on property taxes, homeowner's insurance, and HOA dues).

Myth. I could get forced out of my home.

Fact. FHA/HUD reverse mortgages specifically state that as long as you adhere to the loan requirements, you cannot be forced out of your home. The reverse mortgage loan requirements include living in the home as your primary residence, maintaining the property and remaining current on the property taxes, homeowner's insurance, and HOA dues.

Myth. The bank will assume ownership of my home if I get a reverse mortgage.

Fact. The borrower retains title to the property. The reverse mortgage lender is merely extending a loan to the borrower secured by the home/property. Because ownership of the home is retained, the borrower is responsible to maintain the property and remain current on property taxes, homeowner's insurance, and HOA dues.

Myth. I can't qualify for a reverse mortgage if I have an existing mortgage, or other real estate secured debt.

Fact. Even if you have an outstanding first mortgage, or some other real estate lien (i.e., a home equity loan, tax lien, etc.), you still may qualify for a reverse mortgage. The proceeds of the reverse mortgage must first be used to pay off such debts, however. This is a significant benefit as many borrowers use a reverse mortgage loan simply to eliminate their mortgage or home equity loan payments.

Myth. My heirs won't inherit my home.

Fact. Borrowers can leave their home to their heirs. When the borrowers pass away, the heirs may either pay the balance due on the reverse mortgage (principal plus accumulated interest and MIP) and keep the home or sell the home and use the proceeds to pay off the reverse mortgage. If they sell the home, any remaining equity after the reverse mortgage is repaid is theirs to keep.

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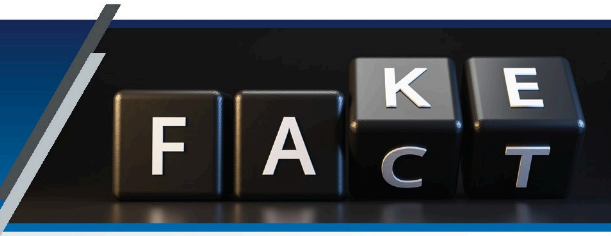

Myth. My Medicare and Social Security benefits will be affected by a reverse mortgage.

Fact. Reverse Mortgage payments and loan proceeds are not considered income and will not affect Medicare or Social Security benefits. (Reverse Mortgage loan proceeds may affect your eligibility for other programs, such as Medicaid. Consult your local program office or your attorney to determine how, or if, reverse mortgage proceeds might affect your situation).

Myth. The reverse mortgage will use all my equity.

Fact. Not necessarily. It's true that a reverse mortgage is designed to convert equity into cash, which means your loan balance rises over time. However, it's also designed to preserve equity. It's not a financially viable program if it uses up your equity quickly. A HECM reverse mortgage is a non-recourse loan insured by FHA. This means the FHA insurance fund covers the shortage if there's not enough value in your home to settle the entire loan balance at the time of repayment. For the program to be financially viable, it must be designed in such a way as to limit the claims against the insurance fund, which means it must preserve equity at the same time it gives you access to your equity. It's also important to understand that you have latitude to decide how much of the reverse mortgage proceeds you use. If you use less, then more of your equity is preserved for longer. If you use more of the proceeds, then you'll use up your equity faster.

Myth. I'll be passing on a big debt to my heirs.

Fact. Again, the reverse mortgage is a non-recourse loan insured by FHA, which means that a debt can never be passed on to your heirs. If there's not enough value in the home to pay off the entire balance, you or your heirs are not responsible to cover the shortage. The most that will need to be repaid is the value of the home at the time the loan is due and payable.

Myth. Reverse mortgage interest rates are very high.

Fact. Not at all. In fact, HECM reverse mortgage rates are often very comparable to traditional mortgage rates. This is possible because FHA insures the loan, which reduces risk for the lender. Therefore, lenders can offer very attractive interest rates on reverse mortgages.

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