



## **A New Kind of Loan: In Reverse**

*Retirement may now be affordable with the help of a new type of mortgage*

Baby boomers, born between 1946 and 1964 will begin to enter retirement age in 2011. With new challenges lying ahead for those 77 million approaching retirement, future retirees are looking for new ways to supplement their cash flow in their "golden years." Whether seeking money to finance a home improvement, pay off a current mortgage, travel, or pay for healthcare expenses, The Florida Association of Mortgage Brokers (FAMB) looks to help people meet those needs in new and exciting ways.

Enter The Reverse Mortgage.

A "reverse" mortgage is a federally insured loan against your home. With a reverse mortgage, you can turn the equity in your home into cash. No monthly payments are ever required. You get to use the cash and not pay it back until you sell the home or pass away.

The cash you get from a reverse mortgage can be paid to you in several ways:

- As a single lump sum of cash
- As a cash advance once a month
- As a "creditline" account that lets you decide when and how much of your available cash is paid to you. The unused portion of your credit line grows each month, releasing even more equity for your future use.
- Or, as a combination of any of these methods

No matter how you choose to receive this loan, you typically don't have to pay anything back until you pass away, sell your home, or permanently move out. To be eligible for most reverse mortgages, you must own your home and be 62 years of age or older.

When you shop for a traditional mortgage, the lender checks your income to see how much you can afford to pay back each month. However, with a reverse mortgage there are *no* monthly payments, so you don't need a minimum amount of income to qualify for a reverse mortgage. You could have no income and still be able to get a reverse mortgage.

There are some common misperceptions that one should quickly dispel regarding a reverse mortgage. The first is that only low-income senior citizens can benefit from a reverse mortgage. This is false. Even though some seniors may have a greater need than others for the cash or monthly income, a reverse mortgage can also be an excellent



financial or estate planning tool for higher income individuals or simply to improve the quality of retirement lifestyle.

Another common misperception about a reverse mortgage is that there will not be anything left for one's "children" or heirs to inherit. A reverse mortgage is a non-recourse loan, which means "no personal guarantees," and the children or heir is not responsible upon your move or death. The house pays back the loan. The amount you owe will be clearly disclosed during application and again during the closing, so your heirs will know what to expect. They will get to keep any equity left over, once the HUD insured loan is repaid first.

"As with any financial arrangement, you should consult a trusted financial advisor or mortgage broker to find a plan that's right for you," Steve Schneider, CMC, CRMS, president of the FAMB.

The Florida Association of Mortgage Brokers is the oldest state trade mortgage association in the nation whose members strive to attain the highest degree of excellence and customer service available. FAMB members also subscribe to a strict code of ethics. For more information or to find a mortgage broker in your area, visit the consumer information page on the FAMB web site at [www.famb.org](http://www.famb.org).