REVERSE MORTGAGES FREQUENTLY ASKED QUESTIONS (FAQs)

This list covers many of the questions we get related to Reverse Mortgages. If you have a question that you do not see on this list, or would just like further clarification, please do not hesitate to contact us.

General Questions	
What is a Reverse Mortgage?	A Reverse Mortgage is a loan available to homeowners age 62 or older (or 55+ for some of our proprietary products) that allows them to convert part of their home equity into tax-free loan proceeds without making required monthly mortgage payments, as long as they continue to meet the loan requirements.
Why are Reverse Mortgages referred to as HECMs?	The government insured Home Equity Conversion Mortgage (HECM) is the most common type of Reverse Mortgage being used nationally. However, there have been several innovative proprietary products introduced recently. So HECMs are just one type of Reverse Mortgage that is now available to consumers.
Aren't Reverse Mortgages a scam?	Today's Reverse Mortgage are benefiting a lot of seniors (55 and above). Unfortunately, many are not taking advantage of this opportunity due to misconceptions that continue to circulate. We would suggest that you refer to our document on "Myths and Misunderstandings" for more information on this topic.
Why does this product have a bad reputation?	When the first Reverse Mortgages were introduced in 1961, they were almost completely unregulated. As a result, they were not always structured in ways that benefited the borrowers. Today's Reverse Mortgages include several safeguards and restrictions to ensure that

	seniors are benefiting from them. However, this isn't the best option for every senior. It is important that you work with a Loan Officer who will give you a clear and honest evaluation based on your individual needs, circumstances, and objectives.
Do people generally regret doing a Reverse Mortgage?	Quite the contrary. According to a survey from AARP, 93% of people surveyed three to five years after doing a Reverse Mortgage were happy they had done it.
Who qualifies for this type of loan?	To qualify for a Reverse Mortgage borrowers must: • Meet the minimum age requirement. • Live in the home as a primary residence. • Have sufficient home equity. • Complete independent HUD-approved counseling. • Demonstrate the ability to pay property taxes, homeowner insurance, and maintain the home.
What is HUD counseling and why is it required	To ensure that seniors are being properly informed when it comes to the Reverse Mortgage option, they're required to speak with an independent HUD certified counselor. The counselor will go over the terms and structure of the Reverse Mortgage to ensure that the senior is getting this opportunity explained to them clearly.
Do I still own my home?	Yes. You retain title and ownership just like with a traditional mortgage. Although many people believe the bank takes ownership when a borrower does a Reverse Mortgage, this isn't the case. Just like a standard mortgage, you remain the owner and hold title to the property.
Do I have to make monthly mortgage payments?	No required monthly principal and interest payments are due while you live in the home and comply with the loan terms. However, borrowers may choose to make voluntary payments.

Can I keep a favorable first mortgage and still access equity?	Yes. Our Reverse Second Mortgage may allow eligible homeowners age 55+ to access equity while keeping an existing first mortgage in place. Payments on the first mortgage remain required; payments on the Reverse Second are not required.
What is the minimum age requirement for a reverse mortgage?	The government-insured HECM products require a minimum age of 62. Some of our proprietary programs are available to borrowers as young as 55.
Are Reverse Mortgages available for higher-value properties?	Yes. We have proprietary programs available for higher-value homes, with loan amounts up to $4 million.
Can I lose my home?	The loan can become due if you do not meet its requirements, such as paying property taxes, maintaining required insurance, and occupying the home as your primary residence.
Is a Reverse Mortgage only for people in financial trouble?	No. They may also be used strategically to improve cash flow, establish a standby line of credit, delay Social Security, fund renovations, purchase a retirement home, or supplement retirement income.
Financial Questions	
How do I receive the money?	Depending on the program, options may include: • Lump sum • Monthly payments • Line of credit • Combination of these options
Is the money taxable?	Generally, no. Reverse Mortgage proceeds are loan advances, not taxable income. Borrowers should consult a tax professional regarding their specific situation.

Will a Reverse Mortgage affect Social Security or Medicare?	Generally, no. However, needs-based benefits such as Medicaid/Medical or Supplemental Security Income (SSI) may be affected if funds are retained beyond program limits. *Specific information related to benefits should be confirmed with a professional in that field.*
What determines how much I can borrow?	Key factors include: • Youngest borrower's age • Home value • Current interest rates • FHA lending limits (for HECMs) • Existing mortgage balance
If I use a Reverse Mortgage to build an ADU will my property taxes go up?	An Accessory Dwelling Unit (ADU) is considered a home improvement, so the value of the improvement may increase the property’s assessed value. This does not necessarily reset the taxable value of the entire property.
Will the Reverse Mortgage appraisal reset my property taxes?	No. The Reverse Mortgage appraisal does not change the property tax assessment, and the county assessor does not receive the loan appraisal.
Existing Mortgage	
Can I get a Reverse Mortgage if I still have a mortgage?	Yes. The existing mortgage is paid off first using the Reverse Mortgage proceeds. Any remaining available funds belong to the borrower. We also have a second loan product on the Reverse Mortgage platform for borrowers who would like to access additional funds but leave their existing forward mortgage in place.
Repayment	

When does the loan become due?	Typically when: • The last borrower permanently moves out. • The last borrower passes away. • The home is sold. • Loan obligations are no longer met. • A qualified non-borrowing spouse passes away or permanently moves out.
Am I allowed to make payments if I want to?	Yes. Payments are optional and may be made at any time.
Are there prepayment penalties?	No. You may pay down or pay off the loan at any time without a prepayment penalty.
Family and Heirs	
What happens when I die?	Your heirs generally may: • Sell the home. • Refinance and keep it. • Pay off the balance with other funds. • Walk away from the property.
Can my heirs owe more than the home's value?	No. Reverse Mortgages are non-recourse loans, meaning neither the borrower nor the heirs owe more than the home's value when the loan is repaid, assuming the loan terms have been met.
How is a non-borrowing spouse protected?	Regulatory protections added in 2014 may allow an eligible non-borrowing spouse to remain in the home after the borrowing spouse dies without paying off the loan or making monthly mortgage payments.

Why do we recommend that a property be put in a trust if it has a Reverse Mortgage on it?	Heirs may have up to 12 months to sell, pay off, or refinance the property after the borrower—and any protected non-borrowing spouse—passes away. A trust may help simplify and speed the transfer process to help ensure that this can be completed within the time allowed.
Costs	
What fees are involved?	Typical costs may include: • FHA mortgage insurance premium (HECM) • Origination fee • Appraisal • Title and escrow fees • Recording fees • Other standard closing costs Most of these costs can often be financed into the loan.
Property Requirements	
What types of homes qualify?	Eligible properties generally include: • Single-family homes • FHA-approved condominiums • 2–4 unit properties when the borrower occupies one unit • Eligible manufactured homes that meet FHA requirements
What if the property needs repairs?	Health and safety issues must be addressed. In many cases, Reverse Mortgage funds can be set aside to complete repairs after closing; some hazards may need to be corrected before closing. Our extensive construction-lending experience can help coordinate these situations.

Can a Reverse Mortgage be used to add an Accessory Dwelling Unit (ADU)?	Yes, many seniors are adding ADUs to maintain their privacy and independence through multi-generational housing. Unlike most lenders, we even have Reverse Mortgage options for seniors who would prefer to live in the accessory unit and allow family members to move into the primary residence.
Responsibilities	
What are my ongoing responsibilities?	Borrowers must: • Live in the home as their primary residence. • Pay property taxes. • Maintain homeowner insurance. • Keep the home in reasonable repair.
Reverse Mortgage for Purchase	
Can I buy a home with a Reverse Mortgage?	Yes. A Reverse for Purchase allows eligible borrowers to buy a new primary residence without required monthly mortgage payments. This can also be a strategic way for seniors to leverage the funds they have to get into a more suitable home.
Line of Credit	
Why do people like the Reverse Mortgage line of credit?	The unused portion of a HECM line of credit can grow over time, increasing future borrowing capacity. Unlike a standard Home Equity Line of Credit (HELOC), the line cannot be frozen or canceled because of an economic downturn, subject to the loan terms and conditions.