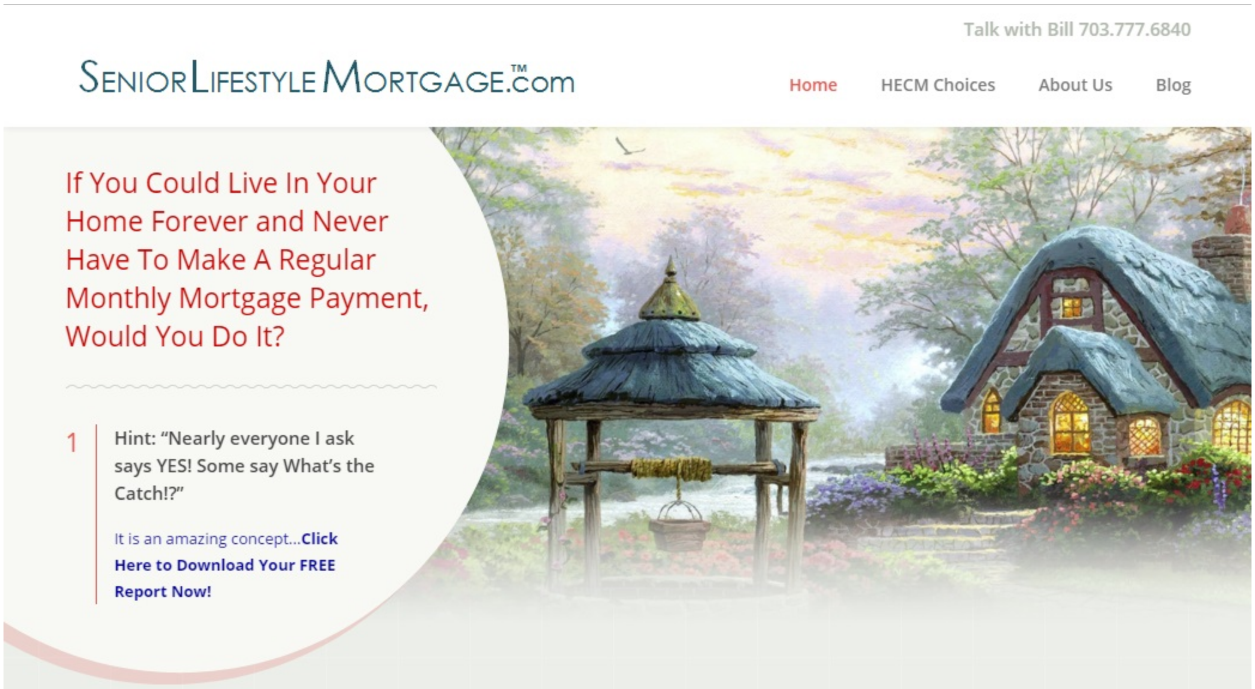

These TOP 3 NEGATIVE STATEMENTS about a Reverse Mortgage are ABSOLUTELY FALSE!

Occasionally I hear someone make a totally misinformed statement about a Reverse Mortgage that just flabbergasts me! If you, too, have heard these outrageous statements somewhere from an equally uninformed source, I am going to put these negative statements to rest.

First and foremost, you have to know that the Reverse Mortgage is actually called a Home Equity Conversion Mortgage (HECM) because it is simply a HOME EQUITY LOAN.

It is insured by the Federal Housing Administration… with oversight by the US Department of Housing and Urban Development…signed into law by President Ronald Reagan in 1988…created to enable senior homeowners to age in place… to stay in their homes by using what would normally be untouchable money in the ground, ie., home equity… to pay for retirement income needs… to pay for elder health care expenses… to fund home maintenance and lifestyle requirements…all while eliminating any requirement to make a monthly mortgage payment on the debt.

In other words, the Reverse Mortgage was designed to help seniors at least age 62 use home equity as a way to utilize an existing financial resource in such a way as **to establish a line of credit** for occasional access **or to turn the home equity into a monthly income stream** to combine with social security and other pension income.

The Reverse Mortgage is an amazing lending product and, also, an amazingly misunderstood financial tool. **Yet, people continue to make statements that are simply not based on facts.**

Let's review the Top 3 Negative Comments about a Reverse Mortgage that are ABSOLUTELY FALSE!

(1) MYTH: The Bank owns my Home!

FALSE: The HECM is a home equity loan similar to any home equity loan provided by your local bank. It is a mortgage, such as a first or second trust…it is comprised of a Deed of Trust and a Note just like any home loan provided by any lender in America. A question for you…if you currently have a mortgage, does your bank own your home? Of course not! You simply have a loan that is secured by your home and which must be paid with monthly principal and interest payments, along with an escrow payment to pay the real estate taxes and the homeowners insurance premium. The advantage to a Reverse Mortgage is that you can enjoy a loan that has no requirements for a monthly mortgage payment. But, yes, you still must pay your real estate taxes and your homeowners insurance premiums when they are due.

(2) MYTH: My children will lose their inheritance!

FALSE: This one really drives me crazy! First of all, let's assume that mom is living in her home and has insufficient income to get by financially on a monthly basis or has serious medical issues and cannot pay for elder health care. What is mom to do? Well, one choice is always to sell the home. And, let's say she does that. Let's say mom walks away from the sale with $250,000 in profit. Now what? Where is she to live? But, more than that, how long will the money last?

Most of us realize that the cost of elder health care is the big unknown…the likely consumer of all existing financial assets. Let's say that mom does pay for increasing medical costs and over a few years consumes all of her money down to one penny? Is this bad for the children!? Sorry kids, but you can't have it both ways.

Other than selling the home, the additional choices in this scenario are (1) for the children to pay all of mom's monthly expenses so that when she passes away the home is free of any debt or (2) to enter into a HECM Reverse Mortgage wherein either a line of credit is created to access when needed or a monthly income stream is established to generate a stable and additional monthly income source. In both scenarios, mom gets to stay in her home and live out her life expectancy in a familiar and comfortable environment. And, in either case, the home is likely to increase in value over time so that there will likely be available profit (home value less existing loan balance) upon an eventual sale. **The kids can still "get their inheritance"…**

(3) MYTH: The Reverse Mortgage fees are too high

FALSE: I hear this statement a lot. Yet, the loan settlement costs for a reverse mortgage are actually quite similar to a regular home mortgage from the FHA, your local bank, or most other national lenders. Closing costs include the standard elements of all mortgage loans such as the lender's loan origination fee, appraisal fee, title insurance fees, credit report fees, and various other local and state filing fees. These costs are all normal. You may already know that with conventional home mortgage loans, there is usually a private mortgage insurance premium (PMI) charged by the lender to add an additional level of security to the borrower's ability to pay. The PMI typically averages around .5% to the borrower.

The mortgage insurance premium (MIP) charged by the FHA on a Reverse Mortgage is also .5% for those reverse mortgage loans which fall in the normal range wherein the borrowers take out less than 60% of the available equity at settlement…which is customarily the case. It is true that those persons who withdrawal greater that 60% of available equity at settlement must pay a higher MIP rate of 2.5%. But that is mostly a borrower's choice in the first place. In this scenario…in a case where the borrowers must withdraw a high level of equity at once, then the better question is not "Are the fees high?" but rather "What is the cost of doing the loan as opposed to not doing the loan?"

It is equally important to note that the FHA adds a 1.25% MIP fee to the balance of the loan each year to fund a very special insurance benefit. Every borrower of the Home Equity Conversion Mortgage pays this fee to insure that any monies being received on a monthly basis under the terms of the HECM loan are fully insured by the program. That means that so long as the last living borrower remains in the home, the monthly income is guaranteed to never run dry.

And, as an added bonus from the MIP fund, if the value of the home is ever less than the balance of the outstanding loan, then the borrowers or their estate may pay off the loan at the lower amount, ie., in the amount of the lower and actual home value, NOT the loan balance. That's a great benefit!

by Bill Hornbeck – Your Reverse Mortgage Expert

If you are tired of being house-rich and cash poor, you can learn more about the Home Equity Conversion Mortgage Loan by visiting www.SeniorLifestyleMortgage.com where you can gain more insights, listen to the explanatory Podcast Series, and request a free personal report which outlines the program and the available funds specifically for you.

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