

Reverse Mortgage: A Pot of Gold or an Expensive Way to Borrow Money?

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Your home is your castle. It may also be a source of income which can be tapped when you want or need an additional source of revenue. In order to tap into the equity in your home, you need to take out a reverse mortgage.

You must be 62 or over to qualify for a reverse mortgage. After a successful reverse mortgage application, the bank will lend you money and use the value of your home as security for its payments to you. For use of its money, the bank charges interest. You can arrange for monthly payments or you can take from an available sum as needed. When you are no longer living in the house or when the house is sold, the bank will collect what it has advanced to you plus interest. The interest rates may be high and the up front costs to establish the reverse mortgage are significant.

You should get a lot of information before you decide whether a reverse mortgage is right for you. In order to get a reverse mortgage you must have a counseling session with a knowledgeable reverse mortgage broker. The details of the reverse mortgage will be explained to you along with the maximum amount that the bank will let you borrow based on the value of your home. You can also seek information about the reverse mortgage and its benefit to you from a financial planner or elder law attorney.

The decision to take out a reverse mortgage needs to be carefully considered. For those with no other source of needed funds, the reverse mortgage may be a lifesaver. For others, the additional funds may provide a sense of security or ability to achieve important goals. The downside to borrowing these funds is that the equity you may have been counting on to support you in later life will be diminished to the extent of your borrowing and the interest that has accrued.