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## More seek reverse mortgages

Seniors' reasons include source of income, way to save homes

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**FLORENCE** - As many seniors' investment incomes decline, more are turning to reverse mortgages.

"Just because reverse mortgages are advertised on late night TV doesn't mean they're a bad thing," said Jay Reynolds, a mortgage advisor with Tri-Corp Financial, Inc. in Florence. "They serve a useful purpose, but reverse mortgages are complicated, expensive, and homeowners need to be aware of how they affect their home and their heirs."

Reverse mortgages - called a Home Equity Conversion Mortgage (HECM) - allow a homeowner to trade the equity to a bank which then agrees to make a monthly or lump sum payment to the homeowner. The loan doesn't come due until the homeowner dies, leaves the home or wants to sell the home. A homeowner needs to be 62 and have some equity in the home to get a reverse mortgage.

Reynolds said there are two times reverse mortgages may be suitable. The first is generating an income to the owner.

"Using some very regulated formulas, a homeowner is able to convert the equity in their home into either a monthly payment or a lump sum payment," said Reynolds. "This can have a big impact on the value of the borrower's estate, but if a senior is facing bankruptcy or finds their independence slipping away, a HECM might be an ideal solution."

Not all of a homeowner's equity can be turned into a cash payment. Reynolds said that a 70-year-old with \$100,000 in equity can use \$51,873.72 of that equity. This would give the homeowner a monthly check of \$360.

"Closing costs on these loans is large," said Reynolds. "On that loan of \$51,873.72 an additional \$4,528 will be charged as an origination fee, MIP, and lender fees."

The second use of a reverse mortgage is to help seniors save their homes.

Jennifer Leonard, an estate planning attorney with the downtown firm of Buechner Haffer Meyers & Koenig Co., L.P.A. has worked with Reynolds on these types of cases.

"Reverse mortgages can be an option to consider if faced with foreclosure," said Leonard. "I've had clients come to me that have some equity in their homes but either because of investment losses or the loss of a pension aren't able to make their mortgage payments. In certain cases I've seen a reverse mortgage doesn't necessarily provide much of a monthly check, but it can stop the monthly payment the senior has to make and thereby avoid foreclosure."

Reynolds said that although a reverse mortgage is the most expensive mortgage available, it is also the most regulated mortgage available.

Reynolds also said that HUD insures the loans so that there is no way the loan can be "upside down." A homeowner's heirs will never have to pay on the reverse mortgage.

"For many homeowners, reverse mortgages are the way to go, but they have to understand the costs," Reynolds said. "At worst, the borrower will not have a principal and interest payment. At best, they will receive a monthly distribution from their lender."

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