

Q) I get many questions about the merits and uses of Reverse Mortgages. Let's address some of the facts and uses.

In a traditional mortgage, you make payments to the bank. With a reverse mortgage, the bank pays you. You can choose a payout plan that meets your specific needs: a stream of monthly payments for the rest of your life, an open line of credit, a lump sum up front or some combination of the above.

People are living longer, pensions are disappearing and health care costs are skyrocketing. Seniors who have always prided themselves on keeping up with their financial obligations find themselves with few good options. A reverse mortgage can be a lifesaver in many situations.

Anyone can qualify for a reverse mortgage, as long as all homeowners are 62 years or older and living in the home. There are no credit qualifications or down payments required, and no income restrictions. The amount you can borrow depends on the value of your home, your age and the prevailing rate of interest. The older you are the higher the monthly payment.

The money received is not subject to taxes and will not affect Social Security, pension or Medicare payouts. Those receiving Medicaid and SSI may be affected under certain conditions. See an RM specialist for the details.

You can use the money you receive for any purpose you choose: to supplement your retirement income, to pay off debt, to make improvements to your home or to help pay for your grandchild's college tuition.

As a homeowner, you keep the title to your property. When you (and a surviving spouse) no longer live in the home you have a year to start paying back the loan. If the property is sold, any accumulated payouts and interest are subtracted from the proceeds. The balance goes back to you while alive or to your heirs upon death. Best of all, you'll never owe more than the market value of your home at the time of sale, regardless of how long you live or what happens to affect your home's value.

Nationally, the most popular reverse mortgage product is the Home Equity Conversion Mortgage (HECM). These mortgages are insured by the U.S. Department of Housing and Urban Development, who also specify the lending terms.

It is best to work with an experienced Reverse Mortgage Specialist. Someone who really understands the options and someone who will listen to what you are trying to achieve. There are so many applicable uses for this financial tool. Such as paying off your mortgage and not having a payment to buying a new downsized home without a payment. One expert I know well is William Mercer, a Reverse Mortgage Specialist with M&I bank. Bill's approach as he explains it is to meet with seniors and their adult children or other advisors to present the full range of options available. He wants everyone involved to feel completely comfortable that a reverse mortgage is the right solution.

If you think a reverse mortgage might be your ticket to a more secure financial future, call Bill or one of the experienced advisors listed in this paper.