

What is a Reverse Mortgage?

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Benefits of a Reverse Mortgage

A reverse mortgage may be an option for income for anyone over age 62 who has significant equity in his/her home. A reverse mortgage offers homeowners the opportunity to leverage the equity in their home to get money they need now. A traditional mortgage leverages the value of the home itself to provide money for the homeowner to own a home. While a typical home mortgage must be paid every month, a reverse mortgage can have a different payment schedule and in some cases, reverse mortgage may not have to be paid until you sell your home.

Reverse Mortgage Drawbacks

A reverse mortgage can provide needed cash to spend on vacations, medical costs, and everyday necessities but it may come at a cost. Some reverse mortgages have high fees which must be paid up front. Some reverse mortgages have steep interest rates. The interest isn't paid each month as it is in a typical mortgage; rather, the interest is taken out of the homeowner's equity so the homeowner may not realize how much interest has accrued until after the reverse mortgage is paid off. The home will have less value when it is sold than when the reverse mortgage was taken on the home.
