ARE REVERSE MORTGAGES A GOOD IDEA?

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Many retirees – and those planning for retirement – are taking a look at reverse mortgages to supplement their retirement income. If you are 62 or older, a reverse mortgage allows you to use your home equity to receive a loan. The loan does not have to be repaid until you die or sell the home.

Reverse mortgage income is tax-free income that you can receive either as a lump sum, monthly payments or as a line of credit to draw on as you need it. If you are married and your home is owned by both spouses, then each of you must be at least 62 years of age to qualify. Generally, a reverse mortgage loan does not require a credit or income test.

With a reverse mortgage, you can borrow up to 80% of the equity in your home. If the value of your home increases in the future, you will be able to increase the amount of your loan as well. Conversely, if the value of your home decreases, you could be incurring more debt than you want.

The most popular – and only government-insured – reverse mortgage loan is the FHA's Home Equity Conversion Mortgage (HECM). To qualify, you must:

- Be 62 years of age or older
- Own the property outright, or have a small mortgage balance
- Occupy the property as your principal residence
- Not be delinquent on any federal debt
- Participate in a consumer information session given by an approved HECM counselor

There are no income or credit qualifications for an HECM, no repayment as long as the property is your primary residence and you can finance the closing costs in the mortgage.

To determine is a reverse mortgage or any other financial instrument makes sense as part of your retirement plan, contact our Jacksonville Florida estate planning law firm.