



Reverse Mortgage Basics

Sarah Buckley

Open Communities

HUD-Certified HECM Housing Counselor

About Me



- 7 years of experience in nonprofits that provide housing services.
- HUD -Certified Housing Counselor since Aug 2022
 - Reverse Mortgage Certified since Sept 2024
 - 1 of 7 Reverse Mortgage Counselors in IL

What is a reverse mortgage?

- Home Equity Conversion Mortgage (HECM) is the FHA Reverse Mortgage program.
- A loan that allows senior homeowners to access a portion of their home's equity. It is often used as a tool to age in place for homeowners that no longer have the financial means to do so.



What does a housing counselor do?

- Discuss if a reverse mortgage is right for you.
- Explain how reverse mortgages work, including payment options and costs.
- Consider alternatives.
- Screen for benefits.
- Connect/refer to community partners.
- Provide a certificate required to apply for a HECM.
- Work with clients through the process of obtaining HECM



Who can get a reverse mortgage?

- 62 years or older
- own your home outright or have significant equity
- live in your home as a primary residence
- received HUD approved counseling



Eligible property types:

- Single family homes
- 2-4 unit owner occupied
- Condo (FHA approved)
- Manufactured home (FHA approved)

Why would someone get a reverse mortgage?



1. Eliminate a monthly mortgage payment
2. access additional income for daily living expenses
3. pay for in home care/medical expenses
4. home repair/upgrade
5. enhance lifestyle



How does it work?

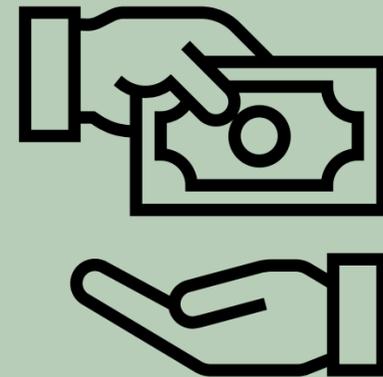
1. A lender will determine how much you can borrow.
2. You decide how you want to receive that money.
 - a. all at once
 - b. monthly payments
 - c. line of credit (most popular)
3. Stay in the home and access loan proceeds as long as:
 - a. occupy residence
 - b. pay property taxes and insurance
 - c. keep up with maintenance



NO MONTHLY
MORTGAGE PAYMENT
REQUIRED

When is the reverse mortgage paid back?

- The loan is required to be paid back when the last remaining borrower or non-borrowing spouse permanently moves out or passes away.
- The estate/heirs can repay the balance of the reverse mortgage loan or sell the home to pay off the balance. All remaining equity is inherited by the heirs.
- This is a non-recourse loan. Meaning, FHA guarantees that the borrowers nor their heirs will owe more than the home is worth at the time the loan is paid back.



Example 1

Mark is a 72 year old male. He has lived in his home since childhood and it is very important to him that he remains in the home. He does not have any children or heirs he intends to leave the property to. He lives on a fixed income of Social Security \$2000/mo. He has an outstanding mortgage on his home for \$90k. He had cancer, which caused a significant financial burden. He is unable to cover all of his necessary expenses with SS. He was forced to use his savings that are nearly depleted. He was worried he would start missing payments and risk losing the home to foreclosure.

With a reverse mortgage, he was able to eliminate his monthly mortgage payment of \$650 to free up room in his budget. He also has access to some additional funds from the reverse mortgage that he plans to use for emergencies or repairs on the house.

Example 2

Ava is an 83 year old female. She lives in her home with her 2 grandchildren.

She lives on a fixed income of Social Security \$2500/mo. She has an outstanding mortgage of \$60k. Her current budget is manageable, however she needs some serious repairs that she can't afford. She was quoted \$50k for the project. She inquired about a reverse mortgage, she was skeptical about how this would affect her equity. We discussed alternatives and assisted her to apply for a CDBG loan from her City. She was approved for a \$50k 0% interest loan. This loan is to be paid back when she no longer lives in the home (no monthly payments).

Although she would have qualified for the reverse mortgage, there was an alternative option that helped her get the repairs done and preserve more equity when she passes the home onto her grandkids.



Thank you!

Questions?

Sbuckley@open-communities.org
224-341-6085

