Senior Life Solutions
Your Reverse Mortgage Specialists!™

Using Reverse Mortgages for Health Care: A Solution to Increasing Health Costs

by Janet Kaul

One solution to the looming problem of increasing medical expenses and long-term care is the billions of dollars older Americans already have in their homes, which can be utilized with a reverse mortgage.

Reverse mortgages are government-insured loans created exclusively for senior citizens who can benefit from tapping into the equity in their home without sacrificing any ownership. In Washington, the maximum lending limit has recently increased for several counties including Mason and Thurston counties. This increased limit also applies in Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon. Recognizing the benefit to seniors, Hud has already increased this limit twice since 1/04.

The possibilities for the reverse mortgage funds are endless. Senior homeowners can pay for medical expenses, make needed home repairs, pay off credit card debt or even pay off their existing mortgage. Unlike a traditional forward mortgage, which requires a monthly repayment from the borrower, the reverse mortgage works exactly the opposite, hence the word "reverse".

The reverse mortgage pays the borrower either on a lump sum basis, monthly payments, a line of credit or a combination of all three. It is a loan that is based upon the age of the youngest borrower, the value of the home and current interest rates. The older the borrower, the more they will be eligible to receive. For example, a 70-year-old homeowner, with a home value of $150,000, will be eligible to receive $84,000, assuming an initial interest rate of 3.5%. Also, the loan does not require repayment of any kind until the home is sold or the homeowner(s) permanently leave their primary residence. **There are no income or credit requirements, and the proceeds are treated as tax-free income.**

However, some seniors still question how safe reverse mortgages really are, and rightfully so: Reverse mortgages gained a bad reputation in the 1980's as some unscrupulous lenders began foreclosing on loans when the value of the home fell below the value of the loan. The reverse mortgage concept was beneficial, but the industry was not regulated. Since then, the U.S. Government has become involved and has created their own product. This program now protects the senior homeowner by eliminating the possibility of losing their home.

All HUD-insured reverse mortgages are non-recourse loans, and the homeowner remains on the title of the home. Non-recourse simply means that the lender can only receive repayment of the loan from the proceeds of the sale of the property, not through foreclosure. HUD now insures the loan, which guarantees the borrower (or his or her estate) will never owe more than the loan balance or the value of the property, whichever is less. No assets, other than the home, will be used to repay the debt.

In response to the tremendous growth in popularity of reverse mortgages, several helpful publications have been issued. Two publications in particular are **Using Reverse Mortgages for Health Care: A NRMLA Guide for Consumers* and Your Reverse Mortgage: Five Steps for Safety.*** These booklets provide those interested in a reverse mortgage with guidelines to ensure that they play it safe when researching and obtaining a reverse mortgage.

These loans are very safe, and HUD ensures fair treatment of seniors by being directly involved in the process; seniors who are considering a reverse mortgage are required to meet with a HUD counselor prior to obtaining a reverse mortgage.

Armed with the right information and guidance, a reverse mortgage can be an effective solution to rising and demanding health care costs. The investment has already been made (your home). The reverse mortgage simply converts that investment into cash, helping to alleviate worry and allowing more time to enjoy life.

**Anyone interested in receiving a free copy of either of these publications or attending a free seminar on the benefits and costs associated with the program, can contact Senior Life Solutions.*