

Older Americans turn to reverse mortgages

Imagine getting a check each month instead of writing one

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REDFORD, Mich. - For 88-year-old Mort Linick, a red scooter symbolizes financial freedom. He bought the scooter with money he and his wife, Fran, get from the mortgage company, instead of sending the mortgage company money.

"Every fifth of the month, we get a check," he says "And we don't have to worry about paying back."

It's called a "reverse mortgage." Instead of building equity, the Linicks are taking it out. They keep the title and the bank gets repaid with interest when they move or die.

Available only to those 62 and older, reverse mortgages are used by more and more retirees to enhance their lifestyles or make ends meet, like 77-year-old Peggy Gysel.

"I could just barely keep up," she says.

Gysel's mortgage consumed most of her Social Security check. But using a reverse mortgage, she paid off her Redford, Michigan home and established a line of credit. And that has made quite a difference in here life.

"I'm much more relaxed," she says. "I can sleep at night."

Unlike a typical mortgage, a reverse mortgage isn't based on your income or credit. Instead, lenders look at your age and your home's value, and make an unusual requirement before you can get the most popular of these loans — you must go through counseling to get the federally insured reverse mortgage.

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“Many people think they want a reverse mortgage, but in the process of free counseling, discover that there's a local program or service that better meets their needs,” says Bronwyn Belling, a reverse mortgage specialist with AARP.

That’s especially true for those who plan to move within three years.

“By the time they pay all of the costs involved — the origination fees, the mortgage insurance premium — it's an expensive loan to get for a short term,” says Peter Bell with the National Reverse Mortgage Lenders Association.

But for the Linicks, who are staying put in the Los Angeles area, it strikes the perfect chord for financial harmony.

Welcome to ReverseMortgage.org



This site is for consumers interested in learning more about reverse mortgages. The information provided on this site is provided by the National Reverse Mortgage Lenders Association (NRMLA).

Established in 1997, [NRMLA](#), headquartered in Washington, DC, is the national voice for lenders and investors engaged in the reverse mortgage business. NRMLA fulfills several roles, which include educating consumers about the opportunity to utilize reverse mortgages, training lenders to be sensitive to the needs of older Americans, developing Best Practices and a [Code of Conduct](#) to make sure lenders participating in the program treat seniors respectfully, and promoting reverse mortgages in the media.

Learn About Reverse Mortgages



Types of Reverse Mortgages

There are several types of reverse mortgage products. Learn more about each of these products here. [read more...](#)

What is a Reverse Mortgage?

A reverse mortgage is a special type of loan used by older Americans to convert the equity in their homes into cash. The money from a reverse mortgage can provide seniors with the financial security they need to fully enjoy their retirement years. [read more...](#)

Steps to Getting a Reverse Mortgage

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Typical Costs In Getting a Reverse Mortgage

Many of the same costs that someone pays to obtain a home purchase loan, or to refinance their existing mortgage, apply to reverse mortgages too. [read more...](#)

About Reverse Mortgages



Many of the same costs that someone pays to obtain a home purchase loan, or to refinance their existing mortgage, apply to reverse mortgages too. You can expect to be charged an origination fee, up-front mortgage insurance premium (for the FHA Home Equity Conversion Mortgage or HECM), an appraisal fee, and certain other standard closing costs.

In most cases, these fees and costs are capped and may be financed as part of the reverse mortgage. Below is a more in-depth explanation of each type of fee.

Origination Fee

The origination fee covers a lender's operating expenses—including office overhead, marketing costs, etc.—for making the reverse mortgage.

Under the HECM program, which accounts for 90 percent of all reverse mortgages made in the U.S., the origination fee is equal to the greater of \$2,000 or 2 percent of the maximum claim amount (i.e., county FHA loan limit). Currently, the FHA loan limit varies from a low of \$160,176 (for rural areas) to a high of \$290,319 (for high-cost metropolitan areas).

Therefore, the 2 percent origination fee generally ranges between \$3,204 (2 percent of \$160,176) and \$5,806 (2 percent of \$290,319).

Home Keeper borrowers are charged an origination fee that may not exceed 2 percent of the value of the home. With either product, the entire amount of the origination fee may be financed as part of the mortgage.

Mortgage Insurance Premium

Under the HECM program, borrowers are charged a mortgage insurance premium (MIP), equal to 2 percent of the maximum claim amount, or home value, whichever is less, plus an annual premium thereafter equal to 0.5 percent of the loan balance.

The MIP guarantees that if the company managing your account – commonly called the loan “servicer” – goes out of business, the government will step in and make sure you have continued access to your loan funds. Furthermore, the MIP guarantees that you will never owe more than the value of your

home when the HECM must be repaid.

Appraisal Fee

An appraiser is responsible for assigning a current market value to your home. Appraisal fees generally range between \$300-\$400.

In addition to placing a value on the home, an appraiser must also make sure there are no major structural defects, such as a bad foundation, leaky roof, or termite damage. Federal regulations mandate that your home be structurally sound, and comply with all home safety codes, in order for the reverse mortgage to be made.

If the appraiser uncovers property defects, you must hire a contractor to complete the repairs. Once the repairs are completed, the same appraiser is paid for a second visit to make sure the repairs have been completed. The cost of the repairs may be financed in the loan and completed after the reverse mortgage is made. Appraisers generally charge \$50-\$75 dollars for the follow-up examination.

Closing Costs

Other closing costs that are commonly charged to a reverse mortgage borrower, include:

- Credit report fee. Verifies any federal tax liens, or other judgments, handed down against the borrower. Cost: Generally under \$20
- Flood certification fee. Determines whether the property is located on a federally designated flood plane. Cost: Generally under \$20
- Escrow, Settlement or Closing fee. Generally includes a title search and various other required closing services. Cost: \$150-\$450
- Document preparation fee. Fee charged to prepare the final closing documents, including the mortgage note and other recordable items. Cost: \$75-\$150
- Recording fee. Fee charged to record the mortgage lien with the County Recorder's Office. Cost: \$50-\$100
- Courier fee. Covers the cost of any overnight mailing of documents between the lender and the title company or loan investor. Cost: Generally under \$50
- Title insurance. Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against any loss arising from disputes over ownership of a property. Varies by size of the loan, though in general, the larger the loan amount, the higher the cost of the title insurance.
- Pest Inspection. Determines whether the home is infested with any wood-destroying organisms, such as termites. Cost: Generally under \$100
- Survey. Determines the official boundaries of the property. It's typically ordered to make sure that any adjoining property has not inadvertently encroached on the reverse mortgage borrower's property. Cost: Generally under \$250

Servicing Set-Aside

The servicing set-aside is an amount of money deducted from the available loan limit at closing to cover the projected costs of servicing your account.

Federal regulations allow the loan servicer (which may or may not be the same company as the originating lender) to charge a monthly fee that ranges between \$30-\$35. The amount of money set-aside is largely determined by the borrower's age and life expectancy. Generally, the set-aside can amount to several thousand dollars.

(Note: The servicing set aside is just a calculation and not a charge. The only amount added to your loan balance is the monthly servicing fee, which ranges from \$30-\$35.