

Know your facts when considering reverse mortgages

My husband and I are in our 70s. We own our home outright and have a lot of equity built up. But because of some rising expenses, we're thinking of getting a reverse mortgage. What are the pros and cons that we should be aware of?

A reverse mortgage can be a perfectly good option for older homeowners, but, as with any major financial decision, you need to know all of the implications before signing on the dotted line.

Reverse mortgages are available for homeowners 62 years old or older who own their home outright or have a low mortgage balance (which is paid off from the home's equity at the closing of the reverse mortgage).

Reverse mortgages allow homeowners to use the equity they've built up in their homes to help pay current expenses. Unlike a standard home equity loan, homeowners need not make monthly payments to repay the loan. Instead, the lender gets its money back when the home is sold. Any remaining equity (after figuring in interest and other fees) goes back to the homeowners or their heirs.

Homeowners who take out reverse mortgages have several options to tap the money made available. You can arrange to get equal monthly payments for life (called "tenure") or for a specified period of time (called "term"). Or you can just arrange to have the cash be made available in a line of credit, to be used when needed until the line of



credit runs out. Or you can do both — making some money available as a line of credit and arrange for the rest to be sent as monthly payments. The amounts of any option depend on several factors, including the amount of equity in the home (which depends on the home's current value, not the price you paid for it); the interest rate; and your age. Online calculators for reverse mortgages are available to give you a sense of what you can expect.

Reverse mortgages can be expensive and complex, so it's important to do your homework. More information is available from several trustworthy sources, including:

- The Ohio Department of Aging summarizes the issues in an April 7, 2009, Aging Issues column, "Reverse Mortgage: Is it right for you?" available free on its website, <http://www.aging.ohio.gov>.
- The U.S. Department of Housing and Urban Development has information, including a 28-page booklet from the National Council on Aging, "Use Your Home to Stay at Home," available free on its website, <http://www.hud.gov>.
- AARP offers detailed information, including a 44-page document, "Reverse Mortgage Loans: Borrowing Against Your Home," available free on its website, <http://www.aarp.org/money>.

Family Fundamentals is a monthly column on family issues. It is a service of Ohio State University Extension and the Ohio Agricultural Research and Development Center. Send questions to Family Fundamentals, c/o Martha Filipic, 2021 Coffey Road, Columbus, OH 43210-1044, or filipic.3@cfaes.osu.edu.



THE OHIO STATE UNIVERSITY
OHIO STATE UNIVERSITY
EXTENSION
OHIO AGRICULTURAL RESEARCH
AND DEVELOPMENT CENTER

**For the month of
September 2010**

By Martha Filipic
614-292-9833
filipic.3@cfaes.osu.edu

Dear Subscriber: This column was reviewed by Betsy DeMatteo, family and consumer sciences program coordinator for Ohio State University Extension.

To receive Family Fundamentals electronically, sign up at our subscription website, <http://www.ag.ohio-state.edu/~news/subscribe.php>.

**Section of Communications
and Technology
News and Media Relations**
2021 Coffey Road
Columbus, OH 43210-1044
614-292-2011

208 Research Services
Building
1680 Madison Ave.
Wooster, OH 44691-4096
330-263-3780

Ohio State University Extension embraces human diversity and is committed to ensuring that all research and related educational programs are available to clientele on a nondiscriminatory basis without regard to race, color, religion, sex, age, national origin, sexual orientation, gender identity or expression, disability, or veteran status. This statement is in accordance with United States Civil Rights Laws and the USDA. Keith L. Smith, Ph.D., Associate Vice President for Agricultural Administration and Director, Ohio State University Extension TDD No. 800-589-8292 (Ohio only) or 614-292-1868