There are other options beside a reverse mortgage to use your home as collateral to obtain loans to pay off your obligations—refinancing a first mortgage, a first or second mortgage, or a home equity line of credit. A reverse mortgage’s advantage is that there is no monthly payment and there is looser underwriting as far as your income and credit-worthiness. The lender is not concerned whether you can make mortgage payments, and just wants to ensure you can pay for property taxes and insurance, either out of the reverse mortgage loan proceeds or otherwise. Also, upon foreclosure, with a reverse mortgage there is no risk of you or your heirs being required to pay a deficiency if the home is worth less than the mortgage’s outstanding balance.

Interest rates and mortgage insurance for a reverse mortgage are generally higher than for other types of mortgages. With the exception of your spouse or your co-borrower, once you pass on or leave the house, those remaining in the house cannot stay—the house will be sold.

Source: National Consumer Law Center, Surviving Debt [50th NCLC Anniversary Edition], updated at www.nclc.org/library
Source URL: https://library.nclc.org/sd/0607