

Published based on [Reverse Mortgages - What They Are And How They Work](#)

# **Reverse Mortgages - What They Are And How They Work**

Reverse mortgages are an option for borrowing money based on home equity. They were introduced in 1989 and are mainly used by senior citizens. Reverse mortgages pay the homeowner in monthly lump sums for their home equity. It is quite different than any other mortgage option.

Reverse mortgages are a great way to cash out on the equity on your home and to increase income. Under a reverse mortgage the homeowner is paid every month and when they decide to sell the house or pass away the lender then becomes the owner of the house unless their heirs pay off the mortgage. If they sell the house they can repay the mortgage that way, too.

Reverse mortgages do not pay out the entire amount of a homes worth. They usually pay between 30 and 80% of the homes value. They also must pay closing costs and service fess which are due monthly.

The details of a reverse mortgage are sometimes hard to understand. A reverse mortgage can be set up so a borrower gets a pay out every month or they can just get money whenever they need it. The government regulates these loans and requires that borrowers receive credit counselling to ensure they understand the reverse mortgage and everything it entails.

Reverse mortgages come with conditions that must be met in order to qualify. The conditions include that the person must be living in the house, they can not borrow more than the appraised value of the home and the older the homeowner, the more money they can get.

Additionally, with a reverse mortgage the borrower still maintains ownership of their home and are still responsible for the taxes and insurance, they will never be in debt because the loan is never worth more than their home is and the reverse mortgage must be paid as soon as the borrower no longer lives there.

Senior citizens often use reverse mortgages as a way to supplement their income. They may be facing rising living costs with a drop in income and suddenly need more money just to make it each month. This puts the senior citizen in desperate need for money. This is why reverse mortgages are regulated so much.

The government tries to protect older people from getting scammed b companies who are looking to use a reverse mortgage as a way to make money. These scams usually involve higher than average fees and conditions that are not typical.

A reverse mortgage can be a great way for a senior to supplement their income, but they need to make sure they completely understand any deal before signing it.

Reverse mortgages when done the correct way can be costly still, but they should never put the homeowner in serious debt as the loan will be repaid with the lender taking the house upon the person not living there anymore.

These loans are not a way to get into debt and if a reverse mortgage is set up so that is ever the case then it is likely a scam.

James Copper

<http://www.articlesbase.com/non-fiction-articles/reverse-mortgages-what-they-are-and-how-they-work-127791.htm>  
|

You can also find this article published on [Reverse Mortgages - What They Are And How They Work](#), and on the tag pages [borrowing money](#), [home equity](#), [monthly lump sums](#), [mortgage](#), [Mortgages](#), [reverse mortgage](#), [reverse mortgages](#), [reverse mortgages 8211 what they are and how they work](#), [senior citizen](#), [the government](#).