**Reverse Mortgages 101: Tips, Terminology and More**

Most older Americans want to remain in their homes as they grow older, also known as aging in place. There are several costs to consider when aging in place including home modifications, transportation and in-home medical care. One way to pay for these costs and stay in your home is a reverse mortgage. If you’re considering a reverse mortgage, [*Bank Name*] encourages you to understand what it is and weigh the pros and cons.

**Terminology: What You Need to Know**

**Reverse Mortgage** – A type of loan that allows you to borrow against the equity in your home. You must be at least 62 years old to qualify.

**Home Equity** – The value of your home minus debt against it.

**Homeowner** – With a reverse mortgage, you’re still a homeowner and you’re still responsible for paying property taxes, insurance and upkeep.

**Repayment** – When the loan is over, you or your heirs must repay cash received from the loan, plus interest. The reverse mortgage loan becomes due when the borrower dies, sells the home, or moves out of the home. The lender may also require repayment if you fail to pay your property taxes, fail to keep your home insured, or fail to maintain your home. Be sure to read the terms of the agreement closely before signing.

**Fees** – Just like with any other mortgage product, there will be fees to close the loan. Lenders may allow you to pay the fees using your reverse mortgage. They are added to the balance of your loan and must be repaid with interest when the loan is due.

**Total Annual Loan Cost** – Because different reverse mortgage products can vary, it can be difficult to compare prices and choose the best one for you. Ask your lender for the Total Annual Loan Cost, a single annual average rate, to help compare reverse mortgage products.

**Co-Borrower** – If you live with a spouse or partner, it is highly recommended to apply for the reverse mortgage together as co-borrowers. Anyone living in the home who is not a co-borrower will be required to pay the loan or move out when you move or die.

**Payout Options** – The way you take cash from your reverse mortgage can vary. You can opt for a line of credit to take cash only when you need it, a monthly payout, or a single lump sum.

**Tips: Key Considerations and Red Flags**

* **Shop around.** Be sure to check with multiple lenders. You can use sites like [www.reversemortage.org](http://www.reversemortage.org/https%3A/www.reversemortgage.org/Find-a-Lender), sponsored by the National Reverse Mortgage Lenders Association, to find lenders in your area.
* **Understand your options.** Evaluate all your options, including applying for a home equity line of credit or home equity loan. Also consider selling your home.
* **Be cautious.** If someone is selling you something and suggests you use a reverse mortgage to pay for it, consult a trusted advisor before signing anything.
* **Nothing is free.** If anyone suggests that a reverse mortgage is free money, don’t believe it. Fees are built into the loan, which must be paid back with interest when it becomes due.
* **Know your rights.** After closing the loan on a reverse mortgage you have three business days to reconsider your decision. If you choose to rescind the loan, you must do so in writing.
* **Consider borrowing jointly.** If the reverse mortgage is in one person’s name and that person dies or leaves the home, the loan will become due. If there are two people living in the home, make sure you’re both on the loan or able to repay the loan – otherwise, you may end up losing the property.
* **Consider your age.** Be cautious if a lender is suggesting you do this at an early age. Your debt will begin to grow and equity will decrease as soon as you take out the reverse mortgage. The longer you have the loan, the more it will cost.
* **Only take what you need.** Carefully consider your payout options. Keep in mind that if you take the full amount of the loan in one lump sum, you will be charged full interest on the largest possible loan amount.

**Tools: Additional Resources**

**National Reverse Mortgage Lenders Association**

[www.reversemortage.org](http://www.reversemortage.org)

**AARP**

<http://www.aarp.org/money/credit-loans-debt/reverse_mortgages/>

**Consumer Financial Protection Bureau**

<http://www.consumerfinance.gov/askcfpb/224/what-is-a-reverse-mortgage.html>

**Federal Trade Commission**

<http://www.consumer.ftc.gov/articles/0192-reverse-mortgages>

**U.S. Department of Housing and Urban Development**

<http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmhome>