



MAY 2014 SENIOR NUGGET REVERSE MORTGAGE AND YOUR HEIRS

We all have seen the TV ads about Reverse Mortgages, but do you really know what is involved?

- ~ Reverse Mortgage allows seniors 62 or older to tap their home equity.
- ~ Nearly all reverse mortgages are federally-backed home equity conversion mortgages.
- ~ Homeowner doesn't make payments on the loan while living in the house, but the loan becomes due at the death of the last borrower (people mentioned on loan application).
- ~ Important to let your family & heirs know if you have a reverse mortgage.
- ~ If one spouse dies but the surviving spouse is listed as a borrower on reverse mortgage, he or she can continue to live in the home; terms of loan do not change.
- ~ At death of last borrower, adult children and other non-spouse heirs must pay off the loan. They can keep or sell the property or turn it over to lender. Decision is driven by amount of equity left in property.
- ~ Heirs have six months to pay off the loan - it's better to pay off loan quickly, interest on the balance & monthly premiums eat up any remaining equity.
- ~ Reverse mortgages are "no recourse" loans - it means that if the loan exceeds the home's value, the lender cannot go after the rest of the estate or the heirs' other assets for payment.

- ~ The difference is covered by federal mortgage insurance which borrower pays while holding the home equity conversion mortgage.
- ~ Any leftover equity money (after loan is paid) goes to the estate.
- ~ When the last owner dies, the estate's executor needs to contact the lender. Lenders keep track on databases that note deaths and will send a notice to heirs if records indicate the last borrower has died. Loan proceeds disbursed as monthly payments will stop.
- ~ Within 30 days of notification, lender sends a federally-approved appraiser to determine the home's market value. Amount due to the lender is the lesser of the reverse mortgage loan balance or 95% of the appraised market value of the home.
- ~ Heirs can request up to two pay off extensions, or if there is no potential equity, heirs may simply hand the keys over to lender and avoid the hassle of trying to sell the home. Known as deed in lieu of foreclosure, the heirs sign deed over to the lender.



BEST WISHES TO ALL HAVING A MAY BIRTHDAY