

HomeWise

Free Educational Resources for Homebuyers

Reverse Mortgage Booklet

How HECMs work, eligibility, and what homeowners 62+ should know.

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Reverse Mortgages

A reverse mortgage lets eligible homeowners -- typically 62 or older -- borrow against their home equity without making monthly mortgage payments. Instead of you paying the lender each month, the lender pays you (or provides a line of credit), and the loan balance grows over time. The most common type is the Home Equity Conversion Mortgage (HECM), which is federally insured through the FHA.

Basic eligibility

To qualify for a HECM you generally must:

- Be at least 62 years old (all borrowers on title must meet this).
- Own the home outright or have substantial equity.
- Live in the home as your primary residence.
- Complete a session with a HUD-approved reverse mortgage counselor before proceeding.
- Meet FHA property standards.

How you can receive funds

Reverse mortgage proceeds can be structured as:

- Lump sum -- a single fixed payment (available with fixed-rate HECMs).
- Line of credit -- draw funds as needed; unused credit may grow over time.
- Monthly payments -- fixed disbursements for a set period or for life.
- Combination -- some lenders blend the above options.

When repayment is triggered

The loan balance becomes due when:

- The last borrower permanently leaves the home (moves to a care facility or passes away).
- The home is sold.
- The borrower fails to maintain the home, pay property taxes, or keep homeowners insurance current.

Heirs typically have the option to repay the loan balance and keep the home, or sell the home and retain any remaining equity. HECM loans are non-recourse -- the lender cannot collect more than the home is worth.

Key considerations

Reverse mortgages reduce the equity available to heirs and carry upfront costs: origination fees, closing costs, and an FHA insurance premium. Because interest accrues and the balance grows, the loan is not right for everyone. HUD strongly recommends independent counseling before making any decision. Learn more directly from HUD's reverse mortgage page.

How a Reverse Mortgage Works

A reverse mortgage lets eligible homeowners aged 62 and older convert part of their home equity into funds without selling. The most common type is the federally insured Home Equity Conversion Mortgage, or HECM.

- Instead of you paying the lender monthly, the loan balance grows over time and is repaid later.
- You can often receive funds as a lump sum, monthly amounts, a line of credit, or a combination.

It is a specialized tool that deserves careful, unhurried consideration.

Eligibility and the Counseling Requirement

Reverse mortgages have specific gates designed to protect older homeowners.

- At least one borrower must generally be 62 or older.
- The home usually must be your primary residence.
- You must complete a session with an independent, HUD-approved counselor before proceeding.

That required counseling exists specifically so you can ask hard questions and understand the trade-offs from a neutral party.

Want the complete guide?

This is a free 3-page preview. The complete Reverse Mortgage Booklet runs about 10 pages with the full details. To get the full version, just add your phone number when you download it on our website -- iqhomeloans.org. Your phone number is used only for sending you updated emails and/or support information.