

3 New Things to Know about Reverse Mortgages

HECMs come with important guidelines that protect borrowers & lenders. If you or someone you know is curious about reverse mortgages, here are 3 things to know:

LAGUNA HILLS, CA, USA, January 10, 2020 /EINPresswire.com/ -- Reverse Mortgages, also known as Home equity conversion mortgages (HECMs), are a financial tool used by many seniors to help fund their retirements. By converting a portion, the equity in their homes into cashflow or a line of credit, they can help cover the cost of living. GoodLife Home Loans, a reverse mortgage lender, explains what borrowers might not know about Reverse Mortgages.

For many seniors, covering the cost of retirement can be a struggle. While many financial advisors recommend saving up at least \$1 million before retirement, this standard is unrealistic for most Americans.

Home equity conversion mortgages allow eligible seniors to increase their retirement cashflow. Lenders such as GoodLife Home Loans offer qualified borrowers loan proceeds in the form of cash or a line of credit based on the home's appraised value, among other factors. This enables retirees to live at home while letting them benefit from the equity in their property.

A reverse mortgage is just a loan. Like any loan, HECMs come with important guidelines that protect both borrowers and lenders. If you or someone you know is curious about reverse mortgages, here are three things to know, summarized in three key points.

1. Age, Equity, and Occupancy Rules for Borrowers Apply

HECM loan applicants must be 62 years of age to apply. Homeowners with spouses who are under age 62 may also apply under certain conditions. In addition to meeting the age criteria, potential borrowers must own substantial equity in their home—those with large outstanding mortgage balances may be ineligible for a HECM. Applicants must also live in the property as their primary residence. Those who own rental homes may not use these properties for a HECM.

2. HECMs Have Financial Requirements

Before a HECM lender can approve a borrower for a loan, they must first perform a financial assessment. This is done to ensure that borrowers are capable of making payments on property taxes and mortgage insurance premiums, while still affording living expenses and upholding the loan obligations. There are a few key areas that reverse mortgage lenders look into prior to approving an applicant for a HECM:

- The borrower's income
- Any assets the borrower may own, such as other property, investments, and expensive items like vehicles
- Monthly living expenses, like utilities and groceries
- Credit history, including past loans and the potential borrower's credit score

The purpose of having financial assessment requirements is to make sure that a reverse

mortgage is suitable and sustainable and sensible for a senior to achieve a comfortable retirement.

3. HECM Applicant Properties Must Be Appraised

In order for the lender to decide how much a borrower may be eligible to receive in reverse mortgage proceeds, an independent third party must conduct an [appraisal of the property](#). The appraiser will determine the fair market value of the property, which will in turn set the maximum principal limit of the loan; the [maximum property value allowed by the Federal Housing Administration](#) is \$765,600 as of 2020. Depending on the appraisal, a borrower may be eligible for a loan based on the appraised value of the property or the maximum allowed value, whichever is less.

The Department of Housing and Urban Development oversees HECM loans, so the home must meet [certain income and property guidelines](#). Keep in mind, a reverse mortgage is just a loan, and to obtain one, it must be suitable and appropriate and sustainable (like all loans) based on qualifications.

About the Company

GoodLife Home Loans is a certified reverse mortgage lender that provides service across the country. They support seniors in retirement by helping them convert a portion of the equity in their homes into spendable cash to make things easier for them. You can find out more about the company by visiting their website at GoodLifeHomeLoans.com.

GoodLife
GoodLife Home Loans
+1 844-914-1777

[email us here](#)

Visit us on social media:

[Facebook](#)

[Twitter](#)

[LinkedIn](#)

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