

When does it make Sense and Cents to Refinance your Reverse Mortgage?

Make sure you run the numbers before refinancing a reverse mortgage.

IRVINE, CA, UNITED STATES, December 16, 2020 /EINPresswire.com/ -- Steely Dan had a great song in the '70's and my favorite lyric was, "Go back, Jack, do it again." When it comes to [reverse mortgages](#), a lot of folks are "doing it again" and refinancing. If you have qualified for a reverse mortgage in the past, you should find the qualifying criteria similar for a refinance of your reverse mortgage.



In order to refinance, you must qualify by demonstrating that you can continue to meet ongoing obligations, such as home maintenance costs, property taxes, homeowners insurance, and

homeowners association fees, if applicable. Also, you must make sure that the loan makes cents and sense. A reverse mortgage refinance must have a "net tangible benefit," which is a fancy way of saying that it needs to add up, and be appropriate. Just because you can refinance, however, doesn't mean you should. There should be a clear benefit to refinancing. That said, here are three reasons why refinancing could make sense — the first two have to do with putting more money in your pocket or

saving interest each month. The third reason is important, too, because a refinance needs to make you feel more comfortable and happier in your retirement.

Here are the reasons and situations when and why people refinance a reverse mortgage:

Situation #1: Your home has appreciated. Aside from your age and the current interest rate, your home's value is a crucial factor in determining your loan amount (principal limit). A reverse mortgage loan is a financial tool for converting untapped home equity into tax-free cash, so if

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Run the Numbers before refinancing a reverse mortgage to make sure it makes sense, and cents.”

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your equity has increased, you likely will be able to pull out more money by refinancing into a new reverse mortgage loan. Something to keep in mind, and this is a huge development that takes place in 2021 -- the home value limit on a government-insured reverse mortgage is now \$822,375. If your home's value exceeded this limit since the time you obtained your current reverse mortgage, then there is a good chance that refinancing might make sense.

Situation #2: Interest rates have declined. If interest rates have fallen since you took out your original reverse mortgage, you could be a good candidate for a refinance. Lower rates can translate into a larger initial payout, and the lower the rate of interest accrual, the less interest you (or your heirs) must repay when the loan becomes due. You should contact a certified reverse mortgage professional (CRMP designated loan officer) to run the numbers. Based on your furnishing some basic information (your age, home value, and equity), it might be worth refinancing. Sometimes, it's better to wait a little bit, and keep the loan you have now.

Situation #3: Provide security for your spouse. [Refinancing a reverse mortgage](#)

may also be a good decision if you want to add your spouse to the loan because they were left off the original loan. That can happen for myriad reasons. Maybe when you took out your original reverse mortgage, your spouse wasn't at least Age 62. Perhaps you were unmarried at the time. The reasons are less important than the consequences of having only one spouse on the loan. If not listed on the reverse mortgage loan documents, the widow or widower might be required to pay the loan in full, which could require selling the home. If both are listed (which is a good idea), the surviving spouse can continue living in the home. Similarly, if one spouse had to



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move to a nursing home (away from the home for 12 consecutive months or longer), the other could continue to live in the home and receive loan disbursements so long as they fulfilled the ongoing obligations of the reverse mortgage, which include home maintenance costs and the payment of property taxes and homeowners insurance.

Final Word about Reverse Mortgage Refinancing

A reverse mortgage refinance isn't something you should rush into. It takes an "Apples to Apples" comparison -- show your monthly statement to a qualified loan officer and you will obtain a free comparison to see if you can benefit. Compare today's rates with your rate. Plug in your new age because the older you are, the more money you can get. And, compare the home values today versus your old home value. When you plug in these items into the Reverse Mortgage Calculations Crockpot (that's what I call the computer program), then sometimes it makes sense to refinance and "do it again."

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