Why most reverse mortgages are made to homeowners who don't need the money today.

LADERA RANCH, CA, UNITED STATES, February 23, 2022 /EINPresswire.com/ -- The year 2022 is here, and there are four things to know about Reverse Mortgage Lines of Credit (with emphasis on the government insured Reverse Mortgage Equity Line:

Money House

1. A Reverse Mortgage Line of Credit typically increases every year. The "credit line limit" on a reverse mortgage grows each month based on how much of the credit line is not used. The limit on the unused amount of a standby credit line grows at whatever the interest rate is on the government-insured reverse mortgage (or at 1.5% for Jumbo Reverse Mortgage Credit Lines). As an example, on the FHA insured reverse mortgage, if the interest rate were 4% on the loan, then your line of credit would increase by the matching and offsetting 4% every year regardless of the value of the home. That's right… even if the value of your home goes down, your REVERSE MORTGAGE Line of Credit is guaranteed to rise each year.

> It's better to have money and not need it, than to need it and not have it."
>
> *Sarah M. Scheper*

This means that if you opened a $200,000 reverse mortgage credit line today at age 62, and did not touch the unused line of credit for 20 years, the credit line would more than double. It gets bigger on the unused portion. People use this credit line as a "standby" line of credit, just in case unforeseen things change in the future. It grows if you do not need the money, which is why so many homeowners get the reverse mortgage line of credit.

2. A Reverse Mortgage Line of Credit Limit grows on the unused balance. This allows many seniors to get a reverse mortgage at the young, ripe age of only 62 years old, and let it sit and grow (based on the unused balance) to have a reserve account “just in case” life events require more money. Most seniors tap this unused line of credit in case unexpected home repairs pop up, or a spouse might need nursing home care, assisted living, or in-home caregivers, having access to a huge chunk of money (via the credit line growing for all of those years), it helps seniors be prepared and ready in case unexpected “life events” turn up.”


Sarah Scheper

3. A Reverse Mortgage Line of Credit does not require the borrower to make any monthly payments ever, and if that's what a borrower chooses to do, the loan will be repaid when the home is sold or upon the death of the borrower and spouse, or when the home would presumably be sold or refinanced by the heirs. The interest on a reverse mortgage can be paid either monthly, or at the end of the loan, or at any amounts chosen by the homeowner.

4. A Reverse Mortgage Line of Credit does not recast like a traditional equity line. A traditional home equity line of credit is an interest only loan for 10 years, after which time it becomes fully

amortizing, meaning that the monthly payments will shoot up ten years after you got the loan. So, if you got a regular HELOC at 62, you'd be facing payment shock at 72, when it's likely that your income has gone down. On a reverse mortgage equity line, there is no frightening “payment shock.”

In addition, qualifying for a HELOC today is no easy task for people in their retirement years. It's no longer about how much equity you have, it's all about your monthly income, which is the one thing retirees generally don't have in large supply.

According to Sarah M. Scheper, Processing Manager with Loangevity, “With real estate home values high, and interest rates low, now might be the time to get a reverse equity line, even if you don’t need the money today. It’s a good thing to have, just in case you need the money down the road.”

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