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***REVERSE MORTGAGES***  
***HOME EQUITY AS A SOURCE OF INCOME***

*By: Frank G. D'Angelo, ESQ*

Individuals facing a serious illness, such as Alzheimer's Disease, often require funds to pay for their care needs. Tapping into the equity of a primary residence can provide a vital source of income to pay for these services, as well as the autonomy and choice that flows from sufficient resources.

***AN OVERVIEW OF CONSUMER RESOURCES IS DESCRIBED BELOW:***

*The Home Equity Conversion Mortgage Program (HECM)* allows the homeowner to choose the payment plan, both in duration and in monthly payment amounts. In order to qualify for this type of Equity loan, the applicant must own their own home, free of any liens or mortgages, or have a lower mortgage balance that can be paid off at the closing with the proceeds from the HECM loan. In addition, the homeowner must be sixty-two (62) years or older, and live in the home.

Generally, the borrower's may choose from five payment options; ranging from fixed monthly payments for life, to a line of credit that may be used when needed. Other options include a combination of fixed monthly payments plus an equity line of credit. The borrower can usually change the payment option for a nominal transfer fee, even after the loan has been established.

The amount any homeowner can borrow is determined by the age of the owner, or in the case of joint ownership, the age of both owners. Additionally, the appraised value of the home as well as the interest rate will determine mortgage limits.

Once a HECM loan has been established, the borrower need not repay the loan until they no longer live in the home. However, the borrower remains the owner, and consequently, must pay all taxes and insurance, and keep the property in reasonable repair conditions.

People who are interested in HECM's or Reverse Mortgages should carefully review the contract before borrowing the funds. Some of the loans have hefty fees associated with the borrowing process. Homeowners should carefully look at the overall cost to borrow through the HECM Program. Anyone interested in this type of mortgage should consult with an Elder Care Attorney experienced in Real Estate to determine the appropriateness, and to review all documents requested by the lender in order to process the loan.

The Home Equity Conversion Mortgage (HECM) can also provide a valuable source of income or even cash source to pay large bills or make repairs to the home. The income should not affect eligibility for the DSS/Medicaid programs. Additionally, new Medicaid laws involving limits of the home as an exempt asset makes the Reverse Mortgage a valuable tool for planning. Especially when planning for

care at home. It is essential that anyone contemplating a Reverse Mortgage as a component for planning and managing a catastrophic illness consult with a knowledgeable Elder Care Attorney. Once it is determined that such a loan is appropriate in their circumstances, only then should the HECM be pursued. It is always appropriate to consult with professionals knowledgeable about Home Equity Conversion Mortgages when making any final decision to borrow against the equity in one's home.