Can Reverse Mortgages Benefit All Americans?

If you are among the first of the Baby Boomers to have a birthday this year, or if you are concerned about the well being of a loved one who has reached the age of 62, you undoubtedly are hearing of the reverse mortgage as an important option in financial planning for the retirement years. Reverse mortgages are fast becoming a major topic of conversation for financial planners, home health care professionals, and CPA's across the country. In the last ten years, reverse mortgages have grown into a multi-billion dollar industry, with senior homeowners taking out nearly 80,000 such loans during the last fiscal year. Moreover, boomers continue to balloon the size of the over 62 demographic set and will continue to do so until 2030 when ALL boomers will be 65 or older.

So, what is this thing called a reverse mortgage? A reverse mortgage allows senior homeowners, age 62 and over, the ability to convert a portion of their home equity into a multiple of payment streams without having to sell their home, give up title, or take on a new monthly mortgage payment. The reverse mortgage gets its name because the payment stream is "reversed." Instead of making a monthly mortgage payment to your lender, like a traditional mortgage, the lender makes payments to the borrower in monthly, lump sum or line of credit payments while the borrower can repay the loan at any time without penalty. Traditionally, the loan is not repaid until the house is sold or at the time of the surviving borrowers death.

But is it a safe option for seniors? The Housing and Economic Recovery Act passed by Congress three years ago added additional new mandatory standards and requirements which have resulted in considerable improvements to the reverse mortgage program. The new provisions greatly benefit senior homeowners who wish to access part of their home equity to help sustain their retirement. Reverse mortgages have a plethora of consumer safeguards and are the only financial product to require independent, HUD-directed counseling. Federal law requires that consumers be thoroughly counseled prior to loan application on the pros and cons of reverse mortgages and their competing financial options. It's generally recognized that a reverse mortgage is one of the most consumer friendly mortgage loans in the entire country. Reverse mortgage lenders understand that senior homeowners want to responsibly borrow and stay in their homes. They also know that consumers want to understand their loan documents with complete confidence. Everyone benefits when loan disclosure forms are clear and uncomplicated. When consumers are armed with the facts about reverse mortgages, they make the best choices. Perhaps that is why, in reality, consumer complaints about reverse mortgages are rare. Numerous surveys show that many reverse mortgage borrowers - even the wealthiest of borrowers - believe this product has improved their lives and has provided them the money and security that is needed for retirement.

While this particular program might not fit the needs of some Americans, having the reverse mortgage option available for those seniors who want to take advantage of it is good for the state and good for our financial system.

Thanks to the abundance of regulations protecting senior homeowners, a reverse mortgage may be one of the few financial products that can truly benefit every extended family from Brownsville, Texas to Marquette, Wisconsin. As the U.S. economy comes back full speed, consumers across the country should know that reverse mortgages are a safe, economically appropriate and cost efficient way for themselves and their parents to augment their retirement, stay in their homes and live the American Dream of home ownership and financial security.

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