

Reverse Mortgage -- How Much Money Can I Get?

By: Steven Moline

A common question I receive from seniors homeowners about Reverse Mortgages is "How much money can I get?" After all, we still need income during our retirement years. Let's take a look at this important topic to see how Reverse Mortgage benefits are calculated.

When a senior applies for a Reverse Mortgage the lender will ask for the following information:

- * The birthdates of the applicants
- * The address of their primary residence
- * The approximate value of their home
- * The balance on any mortgage(s)

This information is entered into a proprietary Reverse Mortgage calculator from which a net dollar amount is given for the applicant.

Behind the scenes the calculator is looking at the applicant's information as follows:

1. Younger borrowers get less money than older borrowers.
2. Higher value homes provide more money than lower value homes up to but not surpassing home value limits set by the FHA.
3. The Reverse Mortgage money is net of the payoff of any current mortgage(s).

Let me add more detail to those three statements to help you understand how the calculator works.

Why does a younger borrower get less money than an older borrower? Because younger borrowers live longer (statistically) and Reverse Mortgage loan balances grow over time. So to be conservative the banks award younger borrowers smaller loans.

If higher value homes pay a higher benefit what is this business about the FHA setting limits on home values? The most popular Reverse Mortgage is insured by the FHA and is called the Home Equity Conversion Mortgage (HECM). To limit the dollar value of these loans the FHA has a county by county limit on the home value that can be pledged against the loan. In most metropolitan areas of California that home value limit is \$417,000. If the applicant's home value is less than \$417,000, the actual appraised value is used to calculate the Reverse Mortgage benefits. If the home value is above \$417,000 the benefits are capped and the applicant will receive the same benefit regardless of their home value.

What if you currently have a mortgage? A Reverse Mortgage can be the only loan secured by the applicant's home. If their home has a mortgage (or mortgages, if they have a second mortgage or home equity line of credit) the Reverse Mortgage is often sufficient to pay off the current balance. Sometimes the senior will need to provide additional monies if the current mortgage is larger than the money available in the Reverse Mortgage.

Would you like to know how much money you can get with a Reverse Mortgage? Try the Reverse Mortgage Calculator on my web site <http://www.RoyalReverseMortgage.com> to see.

Steven Moline is a Reverse Mortgage Consultant with First Priority Financial serving all of California. For more information, to ask questions or to receive a complimentary brochure contact him toll free at 866-885-5573 or on the web at http://www.RoyalReverseMortgage.com/Contact_Steve.htm