4 Decisions Senior Homeowners Need To Make When Getting a Reverse Mortgage

Many seniors are confused about reverse mortgages and if a reverse mortgage is the right choice for them. When they look on the internet, they see inaccurate and outdated information. As they ask their family, friends and neighbors, they have a negative perception about reverse mortgages. Most people are not up to date with the changes that have happened in the last few years to make a reverse mortgage the safest mortgage out there!

So, how can a senior homeowner know if a reverse mortgage is the right decision for them? There are 4 questions or decisions that need to be asked to evaluate if a reverse mortgage is the right option. The first question is:

1. Is this the right time? I get asked all the time, when is the best time to get a reverse mortgage. The answer is the day you qualify. That is the day you are old enough (62 or greater) and have enough equity (today that is 60% or greater loan to value) Why is that? Because life changes as does the program. Today you may qualify, next month you may not.

   I'm not kidding! Many people who qualified in early 2022, did not qualify in June of 2022, just a few months later as interest rates more than doubled, decreasing their borrowing capacity, i.e. they no longer had enough equity to qualify. I have had people have a decrease in income, or have a late mortgage payment that have impacted their ability to qualify. Then, the government can change the program, the last two changes made were in their favor not the borrower.

2. The second question to ask is: Is this the right program to help me achieve my goals. This is very open ended, as people have different goals. One thing I have learned over many years of working with senior clients, these are the things most senior homeowners want.

   - Remain at home and age in place
   - Maintain their independence and lifestyle
   - Retain ownership on title
   - Gain access to their home equity so they have more control over their finances and future
   - Refrain from making a mandatory, monthly PI mortgage payment
   - Sustain and protect about 40% of their home equity from a market downtown
   - Obtain the best interest rate whether at application or at closing
   - No pain when paying off the mortgage, as the responsibility of repayment shifts from the borrower to the home, a reverse mortgage is a non-recourse loan
   - Prepaying the mortgage is optional, there is no pre-payment penalty

Other considerations are, how long are you planning to stay in your home? How do you feel about passing on less equity to your heirs? (for most people, there still is equity at the end) The loan fees are higher due to mortgage insurance that is required on these FHA backed loans, but most of the time these fees are rolled into the loan. If a client is terminally ill, a reverse mortgage may not be the best option. There is no perfect loan or financial product, people have to weigh the pros and the cons of a reverse mortgage.

3. The third question to ask is: which is the right company to work with? Most lenders work with 1, maybe 2 reverse mortgage wholesale lenders. You may be surprised to learn that there are only about 15 wholesale lenders in the country that offer reverse mortgages. And the approximately 100 retail lenders nationwide who originate them do so through these 15. Some lenders are better than others, and although it's a nationwide program, underwriters can interpret credit and guidelines differently. You want to give yourself the best options possible.

   At C2 Financial, we are the largest mortgage broker in the nation, and we work with 12 of the 15 wholesale lenders which comprises more than 90% of the reverse mortgage volume. What this means is that if you work with us, we shop the top lenders for you to find the best option that helps you get the most money. We also work with the two jumbo or proprietary reverse mortgage companies.

   Also, ask are they members of the National Reverse Mortgage Lenders Association (NRMLA) which is important as all NRMLA members must abide by a code of ethics.

4. The final question a senior homeowner can ask when considering a reverse mortgage is: Is this the right loan officer to help me? This may be the most important question of all. This year alone, I have had several people come to me AFTER starting with one or two other loan officers who finally admitted after a few months they don't know how to originate these loans. Let's be honest, these loans are difficult to understand and challenging to originate, unless you know what you are doing. We won't be practicing on you.

   When choosing a loan officer, here are some questions to ask.

   - How long have you been originating REVERSE mortgages?
   - How many people have you helped this month, this year?
   - Are you a banker, lender or broker? (Broker is the best option as they are tied to 1, 2 lenders)
   - Is a reverse mortgage a loan you specialize in?
   - How long will it take to close from application to clear to close (should be 30-45 days)

   Other considerations are if the loan officer can't explain the loan to you in plain English, then they don't understand the loan themselves. Have they written any books, been interviewed in print, on tv or radio? This would demonstrate their expertise. Look up what other people have said online about working with them, i.e. check online reviews which can't be manipulated. Finally, have they earned any designations, such as the Certified Reverse Mortgage Professional designation (CRMP)?

   There are 202 CRMPs in the nation currently. By earning this designation, loan officers have:

   -been in business for enough time and/or closed enough transactions to sit for the exam

   -commit to abide by a code of ethics established by NRMLA

   -complete continuing education annually to stay current with industry changes and updates

   -pass a rigorous exam that only 25% of people pass on the first attempt

This is an important decision, and one a senior homeowner can't afford to make a mistake on. By following these 4 questions, it will help a senior homeowner make the best decision for their situation. If we can help in any way, or answer any questions, feel free to reach out.