There's cash hidden in your home.

How to find it with a reverse mortgage.

Many seniors have built up sizable equity in their homes. When the need arises to raise cash for any purpose, that equity may provide the answer, and a reverse mortgage may provide a better solution than selling the home.

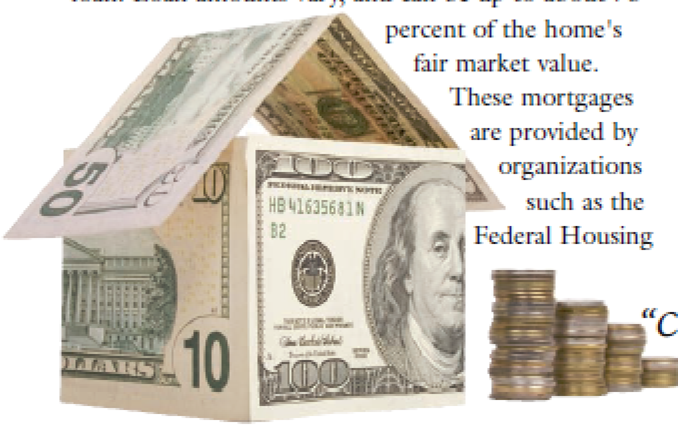
So, what exactly is a reverse mortgage?

It is a special loan for homeowners who are at least age 62 that enables them to "cash in without selling out."

Similar to a home equity loan, a reverse mortgage enables owners to borrow against their homes' value, and receive cash from a lender.

However, instead of immediate, monthly repayments, repayment is deferred: 1) until the home is sold or 2) when the borrower dies or 3) when the home is no longer the borrower's primary residence. Unlike other home financing, a reverse mortgage requires no income or credit qualifications. The home alone secures the loan. Loan amounts vary, and can be up to about 75 percent of the home's fair market value.

These mortgages are provided by organizations such as the Federal Housing Administration (FHA), banks and mortgage companies. Each may offer different types of programs designed for varying needs such as guaranteed income for life, preserving equity for heirs, and short-term cash needs.



Let me count the ways...

The reverse mortgage has been used to generate cash for many life situations such as:

- Long-term care
- Medical expenses
- Foreclosure avoidance
- Home improvements
- Vacations/travel
- Improving lifestyle

For example, if a spouse suddenly required long-term care, the other spouse could secure a reverse mortgage to cover health care expenses and continue living at home.

Good things to know

In addition to the minimum age requirement:

- The home must be owned outright or have only a small mortgage balance, and it must remain the principal residence of at least one of the owners
- The older the homeowner is, the greater percentage of the home's value can be borrowed
- Borrowers can receive periodic payments, a line of credit, a lump sum or a combination of these
- FHA programs often have lower fees, but have income and use restrictions, while private lenders often have higher fees, but no income or use restrictions

"Cash in without selling out."

Thumbs up

- Tap equity in the home for non-taxable cash payments
- Deferred repayment (e.g., when the home is sold)
- No credit score or income requirements
- Homeowner/heirs will never owe more than the value of the home
- Under FHA programs, borrowers who move out for long-term care can defer repayment for up to 12 months
- Equity remaining after loan repayment belongs to the homeowner or heirs
- Homeowner(s) may live in the home after exhausting its equity
- Proceeds are nontaxable and do not affect Social Security or Medicare benefits

Thumbs down

- Interest and fees are typically higher than traditional mortgages
- If the borrower dies before the home is sold, heirs will have to begin repaying the loan
- Interest rates are typically adjustable and so unpredictable
- Interest is not tax deductible until the loan is paid off
- Nonpayment of property taxes or insurance could trigger loan repayment
- Homeowner cannot move without triggering loan repayment

Caution, always get objective advice

Before making any borrowing decision, senior homeowners should get impartial information from a professional such as a financial planner, accountant or lawyer – as opposed to those with vested interests such as reverse mortgage lenders (positive bias) and real estate agents (negative bias).