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Reverse Mortgage Pros and Cons

You've got to admit, there are two sides to everything. Whether or not the good outweighs the bad is the real question. Are reverse mortgages good or bad? Let's get to the real truth starting with the "bad".

Reverse Mortgage Cons:

1. Mortgage Insurance (MI) - Regardless of how much equity you have in your home, if you do an FHA loan, you are going to have mortgage insurance. When you have a reverse mortgage, the mortgage insurance covers you in the unlikely event that your loan balance exceeds the value of your home. The only time this really can happen is when property values decline drastically. Don't forget though, even if you have no equity left, you will never be forced to leave your home. Thanks to mortgage insurance, you will never have to pay back more than your home can sell for, and you don't have to sell until you want to.
2. Compound Interest - Everyone likes to earn it, no one likes to pay it. Simply defined, it is interest which is calculated not only on the initial principal but also the accumulated interest of prior periods. If you've ever had a savings account or investment that you rolled the earnings back into, you have likely earned it. Since you are not making payments on your loan, compound interest will add up.
3. Using Your Children Inheritance - Say what? Who does the money belong to? If you need the money to make your retirement better, why shouldn't you spend it? Use what you need and then pass on the rest to your heirs. Don't blow the money (unless you want to), but use some of it if you need to. It is your money.

The Pros of a Reverse Mortgage:

1. Ability to Maintain Your Independence - Having to ask your children for financial help to cover your expenses could be the most embarrassing thing to do. What if you needed to move in with your kids for financial reasons? With a reverse mortgage, you can use your home's equity and keep your dignity.

2. Keep your home - Have you recently thought of moving? How painful of an idea is that? A reverse mortgage will allow you the financial edge to be able to keep your home while affording the retirement you deserve.

3. Life Becomes Affordable - So many seniors live in an impoverished state. They have gotten used to being broke. A reverse mortgage can allow you to access your equity and turn it into a lifetime income stream. What if you could get \$200 or \$400 or even more every month? You would probably feel like you've won the lottery.

4. You Don't Make Mortgage Payments - Monthly payments are a thing of the past with a reverse mortgage. As long as you live in the home as your primary residence, you will not be required to make any payments. This can count as extra income since it is not being spent.

Since fees are not a consideration for getting a loan, they weren't mentioned above. The new programs available will allow you to (usually) waive any origination fees and possibly get a substantial credit towards your mortgage insurance. The reduction in fees is in the neighborhood of 50%, saving you thousands of dollars.

Before we summarize, let me admit something. Yes, I am a reverse mortgage loan officer, but I truly believe reverse mortgages are a great tool that can help a lot of people. I am not saying they are for everyone, but when I see anyone saying they are bad, I just cringe. Tools aren't bad. It's how you use them. If the equity in your home is the only money you have, what is wrong with using it to make life livable?

Now it is up to you to decide. Is this a tool that can help you or someone you know? Will your life be enhanced with a reverse mortgage? If you are still unsure and want more information, read more of our articles on our website.

David Prulhiere is the owner of Redwood Financial Services and he specializes in reverse mortgages. You can read more about [reverse mortgage pros and cons](#)? There are more articles and blogs with additional [reverse mortgage information](#).