



Will A Reverse Mortgage Work If My Home Needs Repairs?

By David Prulhiere

What if you want to do a loan on your home, but you know the home needs repairs to qualify?

Under the traditional loan requirements, you need to fix the deficient aspects of the property and then you can do a loan. What makes a reverse mortgage unique is the ability to do a loan first and then, after it closes, do the repairs. This allows you to get the money needed to do the repairs from the equity of your home.

Some of the more common scenarios are:

1. Decks covered with indoor outdoor carpet (the stuff that looks like fake grass), causing the deck board to rot.
2. The southern side of the home is peeling paint due to all the sun exposure.
3. Softer, squishy areas around the tub and toilet, indicating dry rot.

All of these instances can be cured after the loan is completed, as long as the repairs do not involve safety or health issues. You can't wait for improvements like getting water to the property, but fixing a roof or repairing dry rot is common and won't create any delays.

The way a lender makes sure the repairs are done and that there is enough money set aside to complete the repairs is by having you get contractor bids. They will then add 50% to this bid for any overages that may occur, and hold the money in an escrow account commonly called an "escrow holdback". When all of the repairs are completed, the lender will pay the contractor and refund any money not spent back to you.

What if you want to do the repairs yourself? You can. You will still need to have the contractor bids though, and the escrow hold back is still required. The lender is looking for a professional estimate of what the repairs will cost.

Let's summarize what you just learned: The proceeds of your loan can be used to do the repairs, making a reverse mortgage a unique loan. The escrow holdback will be required even if you choose to do the repairs yourself.

Before you know what you can do, you need to know how much you qualify for. Use our free [reverse mortgage calculator](#) for a quick estimate of what is available to you. There's a lot of [reverse mortgage](#) information that is helpful in becoming educated before you make your decision. If you would like to speak to one of our professionals, call us at (877) 339-6633