

A Home Mortgage That Pays You Back

Is your home mortgage tying up a large amount of your personal equity? Are you looking for a new source of passive income? And are you 62 or older? If the answer to all three of these questions is yes, you may be a candidate for a reverse mortgage. In a reverse mortgage, a lender makes reverse home mortgage payments to you out of the equity you have invested in your house. You may choose to get the value of your property in monthly payments or in a lump sum. You are allowed to remain in your house until you move away, enter a retirement community or nursing home, or pass on.

If I get a reverse mortgage, will it cancel my existing home mortgage?

No, but you are strongly encouraged to pay off the remainder of any existing home mortgages with the proceeds of your reverse mortgage. In some areas, homeowners are not allowed to have both a regular home mortgage and a reverse mortgage on the same piece of property. If you live in one of those areas, you will be required to put your reverse mortgage payments toward your home mortgage, and will not be able to use the income for other purposes until your mortgage is paid off.

Will my heirs still be able to inherit my house if I take out a reverse mortgage on it?

Certainly. Your heirs may redeem the reverse mortgage by repaying the income you received from it. They may also sell the house themselves or let the lender resell the house to cover the cost of the reverse mortgage. It is possible for your heirs to cover the cost of the reverse mortgage, effectively taking out a new home mortgage on it. However, taking out a reverse mortgage strongly decreases the likelihood that the property will stay in the family. Consider a reverse mortgage only if passing on your house to your heirs is not important to you.

What happens if I "outlive" the loan?

If the lender completes the full series of reverse mortgage payments while you are still alive and living in the house (that is, if you receive the full value of the house), you do not need to relinquish your house to the lender and move out. You may keep the money and continue to live in the house for as long as you need or want to. This will not affect the amount you, your estate, or your heirs owe when the house is sold; you cannot go into debt because of a reverse mortgage. This is one of several points that makes reverse mortgages more attractive than a regular home mortgage. Try this

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