

# How Do I Know If a Reverse Mortgage Is Right for My Retirement Plan? Ask These 10 Best Questions

## Highlight

Is a reverse mortgage your best forward gear? Don't turn your home sweet home into a piggy bank until you've asked yourself these questions.

## The 10 Best Questions®

[This is the shorthand version.](#) The experts' suggested best answers are below.

1. Do I fully understand how reverse mortgages work?
2. Do I/we qualify?
3. Am I scam-bait?
4. How long will I stay in my home?
5. What do I/we want the money for?
6. Can I afford a reverse mortgage? Is this the right time for one?
7. How much money do I need? Am I being realistic or overly-optimistic?
8. How does it fit into my/our overall retirement plan?
9. Is my spouse on board with a reverse mortgage?
10. Have I discussed a reverse mortgage my heirs? What do they want me/us to do?

## The Golden Question

The million-dollar question you almost forgot to ask.

Is a reverse mortgage my first resort or last resort?

## The 10 Best Answers

### 1. Do I fully understand how reverse mortgages work?

Reverse mortgages are very different from traditional mortgages. With a reverse mortgage, you exchange the equity in your home for cash from a lender. The loan payment is due when you move, sell or the last living borrower dies.

You continue to own your home and live there, but now you get payments from the lender instead of paying a mortgage. The homeowner remains responsible for home maintenance, insurance and taxes.

Learn more about reverse mortgages so you can make a well-educated decision. Trustworthy and consumer-friendly sources include:

- National Reverse Mortgage Lenders Association ([www.reversemortgage.org](http://www.reversemortgage.org)); also lists lenders
- AARP ([www.aarp.org/revmort](http://www.aarp.org/revmort))
- *Consumer Reports* ([www.consumerreports.org](http://www.consumerreports.org))

## 2. Do I/we qualify?

Borrowers must be at least 62, own their home outright or have just a small mortgage, and live there as their primary residence.

According to the *Wall Street Journal*, nearly 10 percent of the 600,000 outstanding reverse mortgages in 2013 were delinquent. It's bad publicity to throw Grandpa out of his house, so banks are getting choosier about making loans. After 2014, borrowers must prove they can cover costs for property taxes, insurance, and ongoing maintenance.

## 3. Am I scam-bait?

There's an epidemic of misleading advertisements featuring Hollywood stars hawking reverse mortgages. These soothingly deceitful ads can create a false sense of security for worried seniors who are house-rich but cash-poor.

A 2015 study by the Consumer Financial Protection Bureau (CFPB) found that many people don't understand that reverse mortgages are actually loans. Both the National Council on Aging and the Federal Bureau of Investigation (FBI) have reverse mortgages on their top 10 lists of scams to avoid.

One red flag of a scam is the alleged urgency for immediate action. Read more below.

[Related: Is This Reverse Mortgage a Scam? The 10 Best Questions Checklist](#)

## 4. How long will I/we stay in my home?

This Best Question was suggested by mortgage giant Lending Tree. Your answer may not be simple.

Many elderly people must move from their longtime homes after a fall, accident, or other serious medical problem. The lender expects loan repayment in full after you've spent 12 months in a nursing home or assisted living facility.

Cyndi Stephenson, a reverse mortgage manager in Virginia, told *MarketWatch*, “I don’t worry about people who plan to live in their homes until they die. That’s who reverse mortgages best support. But I do worry about those people who have a stroke, injury or disabling illness after getting a reverse mortgage.” Stephenson advises considering your medical insurance and long-term care provisions.

[Related: The 10 Best Questions for Choosing Long-Term Care Insurance](#)

## **5. What do I/we want the money for?**

Every answer is personal and unique.

According to the National Reverse Mortgage Lenders Association, “Reverse mortgages were conceived to help people in or near retirement with limited income to use their home equity to pay off debts (including traditional mortgages), cover basic monthly living expenses or pay for health care. There is no restriction on how a borrower may use their reverse mortgage proceeds.”

## **6. Can I afford a reverse mortgage? Is this the right time for one?**

AARP offered this Best Question on their website. Not only are initial costs steep, but the younger you are, the less likely you are to have adequate funds for future emergencies, health care needs, or everyday living expenses later on.

“This is especially true,” warns AARP, “if your needs suddenly grow or your income does not keep pace with inflation. You may need your equity to pay for future home repairs or a move to assisted living. If you are not facing a financial emergency now, consider postponing a reverse mortgage.”

## **7. How much money do I need? Am I being realistic or overly-optimistic?**

The prospect of breaking free from monthly mortgage payments seems exhilarating. But the devil is in the details.

The National Council on Aging’s former home equity specialist Barbara Stucki told *Consumer Reports*, “People may falsely think that somehow their ‘mortgage is being handled.’ But instead, they’re paying interest on a potentially large lump sum and drawing down their equity.”

## **8. How does a reverse mortgage fit into my/our overall retirement plan?**

Consider your whole financial situation. For some, a reverse mortgage is a key component for a well-balanced retirement plan. But for others it spells foreclosure.

Talk to a certified financial planner, a certified public accountant, or an elder-law attorney. You will be required to talk to a HUD-approved counselor during the loan application process, but experts agree you should get professional financial advice *before* seeing a lender, too.

[Related: How to Find a Top Financial Planner: Ask the 10 Best Questions](#)

[Related: What to Ask Your Financial Adviser About Retirement Planning: The 10 Best Questions](#)

## **9. Is my spouse on board with a reverse mortgage?**

Before 2014 rule changes, spouses not named on reverse mortgages had no protection from foreclosure and horror stories of evicted surviving spouses received national attention.

Now lenders can no longer demand repayment from surviving spouses. But the rules are complicated, and again, everyone's situation is different.

Legal publisher Nolo.com recommends, "Make sure both of you attend the counseling session that is required before signing loan documents."

## **10. Have I/we discussed a reverse mortgage with heirs? What do they want me/us to do?**

Consider your heirs, their wishes regarding your house and estate, and their risks and responsibilities of a reverse mortgage after your passing.

Many children want their parents to experience a comfortable retirement rather than owning the family home free and clear. Other adult children are financially-needy themselves and hope to personally benefit from this "easy money." Be sure you don't feel coerced by family members.

"Reverse-mortgage ads promise that seniors can pass on home equity to their heirs, but they fail to mention that there's a good chance there won't be any equity left," Prescott Cole, a California-based elder law attorney told *Consumer Reports*.

[Related: Talking About Aging Parents' Finances: The 10 Best Questions](#)

## **The Golden Question**

The million-dollar question you almost forgot to ask.

## **Is a reverse mortgage my first resort or last resort?**

According to *Consumer Reports Money Adviser*, "We think that a reverse mortgage should be a last resort for the cash-strapped. An extra layer of fees makes those compounding loans one of the more expensive ways to tap your home equity."

*Consumer Reports* continues: "Consider whether you can better meet your needs by selling your home and downsizing. Also investigate less-costly options, such as low-cost home-improvement loans or state property-tax postponement programs."

[Related: Is Downsizing My Home Right for Me? The 10 Best Questions](#)

## QDoc's Q-Tipsters

Stop guessing about reverse mortgages. Start asking.

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