We’ve got answers to all your HECM questions

If you are 62 years or older, a Home Equity Conversion Mortgage (HECM) can help you borrow against your home’s equity to access funds that can give you greater financial flexibility. Here are answers to some common questions that can help you decide if a HECM is right for you. If you’d like to learn more, please contact us for expert guidance that’s tailored to your individual needs and plans.

What is a HECM?

A HECM, commonly known as a reverse mortgage, is a home-secured loan that can turn part of the equity you’ve built up in your house into funds you can use today, or a line of credit that will be there when you need it. It is insured by the Federal Housing Administration (FHA)* and offers all the benefits of a traditional line of credit that you can get from a bank but with additional benefits—including a flexible repayment feature. As with any mortgage, you must meet your loan obligations, keeping current with property taxes, insurance, maintenance and any homeowners association (HOA) fees.

What are the basic requirements?

You may be eligible for a HECM if you are at least 62 years old, own and have sufficient equity in your home, and live in the home as your primary residence.

What if I still owe money on a first or second mortgage?

You may still be eligible. Proceeds from your HECM would first be used to pay off any existing mortgage(s). This means the balance of your existing mortgage(s) will be added to the balance of your HECM.

How much money can I get?

The specific amount depends on several factors, including your age, the type of the HECM you select, the value of your home, prevailing interest rates and Federal Housing Administration (FHA) lending limits.

How is a HECM different from other home equity-based loan options?

A HECM offers certain advantages that provide greater flexibility and financial control:

- With a HECM line of credit, the unused amount in your credit line actually grows[1] over time—giving you access to more available funds.
- It has a flexible repayment feature: You decide how much or how little to pay each month toward principal and interest. Or you can choose to make no monthly loan payment at all. As with any home-secured loan, you must meet your loan obligations, keeping current with property taxes, insurance, maintenance, and any homeowners association fees.
- A HECM can’t be canceled or reduced, as long as you meet your loan obligations and live in the home as your primary residence—so it will be there when you need it.
- With an FHA-insured* HECM, you’re not responsible to pay the difference if the loan balance ever exceeds the value of your home when the loan becomes due—known as the non-recourse feature.

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How can I receive the funds from a HECM?

You can take your funds as a lump sum, line of credit, monthly advances, or any combination of these.[2]

Will a HECM affect my government benefits?

The funds from a HECM generally do not affect regular Social Security or Medicare benefits. However, needs-based benefits, such as Medicaid and Supplemental Security Income (SSI), may be impacted. We can provide additional general information, but you should contact a financial professional or government benefits specialist about your particular situation. Visit www.ssa.gov.

How can I use the proceeds?

You can use the proceeds however you choose. For example: to refinance your home, consolidate debt, fund large home renovations or simply serve as a reserve line of credit. You can even use a HECM to purchase a new home that better fits your needs and wants; ask us about our HECM for Purchase option.

Will I have to pay any fees?

With the exception of a fee for government-required HECM counseling, most of the fees associated with a HECM can be financed with your loan, so there's no immediate out-of-pocket expense. The costs are added to the loan amount ("principal") and paid along with the accrued interest when the loan becomes due. These fees may include an origination fee, closing costs, a mortgage insurance premium (required for HECM loans) and a monthly servicing fee. Your HECM loan specialist can provide a detailed breakdown.

What has to be repaid when the loan becomes due?

You'll repay the loan balance, any fees that have been added, and the accrued interest. Homeowners (or their heirs) usually choose to do this through the sale of the home. Repaying the loan with other assets or by refinancing through a conventional mortgage is also an option, if you or your heirs want to keep the home.

What if one of the co-borrowers passes away or must move out for health reasons?

The other borrower continues to own and live in the home—and enjoy all the benefits of their HECM. As with any home-secured loan (or mortgage), you must meet your loan obligations, keep current with property taxes, insurance, maintenance, and any homeowners association fees.

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[1]If part of your loan is held in a line of credit upon which you may draw, then the unused portion of the line of credit will grow in size each month. The growth rate is equal to the sum of the interest rate plus the annual mortgage insurance premium rate being charged on your loan.

[2]Borrowers who elect a fixed rate loan will receive a single disbursement lump sum payment. Other payment options are available only for adjustable rate mortgages.

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