A Reverse Mortgage May Be A Positive Financial Move For Seniors

(NAPSA)—If you are an adult with elderly parents, you may be used to getting periodic updates on the status of their physical health. When it comes to the state of their financial health, however, elderly parents may not be quite as forthcoming. Many adult children are surprised when they find that their elderly parents are actually struggling to make ends meet.

That's why now may be the right time to take a closer look at your parents' financial well-being. Here are some signs of possible problems:

• Stacks of unpaid bills

• Late-payment notices or calls from creditors

• A home that has fallen into disrepair.

According to Tim McDonald, head of Wells Fargo's Senior Products Group, some seniors may simply forget to pay bills or deposit checks, don't have enough income to cover their expenses or have become physically unable to write checks. Additionally, older homeowners may avoid taking on home repair projects because of costs.

"Most of the time, parents won't let on when they're having trouble managing things on their own," said McDonald. "But there will be red flags around the house when money is an issue."

That may be the time to call a family meeting, noted McDonald. "Those interactions can be a good way to learn about an elderly parent's financial situation."

A Reverse Mortgage May Be an Option

For many people, retirement means limited income and increasing expenses because of health care costs and prescription drug payments. A reverse mortgage loan can help seniors take care of their own needs and live more comfortably, and ease the concerns of adult children.

"Adult kids are taking care of their own families, and many are preparing to retire themselves. They shouldn't have to worry about their parents' finances at the same time," added McDonald. "A reverse mortgage loan can bring everyone some peace of mind."

Seniors can use the proceeds from a reverse mortgage for any purpose, including daily living expenses, home repairs or long-term health care costs.

How it Works

A reverse mortgage loan enables senior homeowners age 62 or older to convert a portion of their home's equity into tax-free proceeds without the burden of making monthly mortgage payments like a traditional mortgage. Seniors can use the proceeds for any purpose, including daily living expenses, home repairs, prescription drugs or long-term health care costs.

Interest accrues on the amount of money withdrawn, but instead of the borrower making monthly payments like one does on a traditional mortgage, the loan balance is due when the last surviving borrower no longer occupies the home as his or her primary residence.

Said McDonald, "The last thing retirees want to do is worry about money. A senior can turn to a reverse mortgage loan and receive funds in one lump sum, monthly proceeds or as a line of credit."

As a key consumer protection, all potential borrowers must participate in an education session with a HUD-approved counselor to determine if a reverse mortgage is the best option for the senior. All borrowers are responsible for paying all taxes and insurance as well.

A New Type of Reverse Mortgage

One of the latest developments in reverse mortgage products is the HECM Saver, which allows homeowners access to a lower portion of their home equity with lower upfront costs than a standard HECM reverse mortgage. The lower cost comes by way of a significantly reduced upfront-mortgage insurance premium.

HECM Saver loans have different qualification requirements than traditional home equity financing, and offer the same features and benefits of all FHA-insured HECM reverse mortgage loans, such as flexible payout options, no income or credit score qualifications and no monthly mortgage payments as compared to a traditional mortgage.

Additionally, Wells Fargo currently offers no origination or servicing fees on all its FHA-insured HECM reverse mortgages, including the HECM Saver. The reduced fees mean senior borrowers will save more money upfront and over the life of their loans.

Social Security and Medicare Are Not Affected

Proceeds from a reverse mortgage loan are not considered income, so Social Security and Medicare are not affected. Local program offices or attorneys should be consulted to determine how or if reverse mortgage proceeds might affect eligibility for other programs, such as Medicaid.

There are no income or credit score qualifications, except when reverse mortgage loan proceeds are used for purchase transactions. In this instance, verification of income sufficient to pay real estate taxes, insurance and maintenance costs on the borrower's new property is required. If the departure residence will be retained as an investment property or second home, verification of income sufficient to pay any mortgage payments for that property is also required.

A consumer-friendly website with a reverse mortgage calculator has been created by the bank to help seniors learn about reverse mortgages, download free educational materials and calculate an estimate of how much a reverse mortgage could provide them in retirement. To learn more, visit www.wellsfargo.com/reverse.