

Home Equity Conversion Mortgages (HECM)

(aka: Reverse Mortgages)

FREQUENTLY ASKED QUESTIONS

WHAT IS IT?

A Home Equity Conversion Mortgage (HECM), frequently called a “reverse mortgage,” was created as a way for senior citizens, over the age of 62, to convert the equity in their home to cash utilizing flexible programs that meet their personal financial needs.

WHAT OCCURS?

A HECM mortgage is designed to produce one of the following options: regular monthly income for life; income for a specific number of years; a line of credit; or, lump sum payment. The senior citizen continues to enjoy homeownership, and no repayment of the loan is required as long as the senior continues to reside in the property.

IS THE INCOME TAX FREE?

Yes, income derived from the loan is tax-free.

WILL I BE ABLE TO SELL MY HOME?

Yes, the senior remains the owner of the home and may sell it and move at any time, keeping the sales proceeds that exceed the mortgage balance. Likewise, the borrower may not be forced to sell to pay off the mortgage, even if the mortgage balance grows to exceed the value of the property.

WHEN IS THE LOAN REPAYED?

A HECM loan need not be repaid until the borrower moves, sells, or dies. When the loan is paid, should it exceed the value of the property, the borrower (or their heirs) will owe no more than the value of the property itself. FHA insurance will cover any balance due the lender.

WHAT ARE SOME OF THE FEES?

Two mortgage insurance premiums are collected to pay for the HECM mortgage: an up-front premium (2% of the home’s value), which may be financed by the lender; and, a monthly premium (equal to 0.50% per year of the mortgage balance). Seniors interested in this program should also inquire as to any loan origination charges a lender will be charging. Normal fees for inspections or appraisals would also apply, but may be financed.

WHAT ARE SOME OF THE GENERAL REQUIREMENTS?

All borrowers must be over the age of 62. To be eligible the home can be a single-family residence, a one-to-four unit building with one unit occupied by the borrower, a manufactured home (mobile home), a unit in an FHA approved condominium, or a unit in a planned unit development. The property must meet FHA standards, but the senior can pay for any required repairs using the reverse mortgage itself.

Due to concerns of fraudulent lending practices, the program requires seniors receive FREE counseling from a HUD approved mortgage counseling agency, prior to application. For more information on this counseling, HUD may be reached at 888-466-3487.

HOW DO I QUALIFY?

Unlike conventional mortgages, the HECM mortgage does not require you to “qualify” in the traditional manner. Credit history is generally not a factor. Existing home mortgages, deferred taxes or any federal debt must be paid in full, but can also be paid from the proceeds of the loan itself.

WHERE DO I APPLY OR GET MORE INFORMATION?

Senior homeowners who meet the eligibility requirements above can apply through an FHA approved lending institution, which in turns submits the application to the local HUD field office for approval.

To obtain a current listing of lenders who participate in this program, please visit HUD’s website at: <http://www.hud.gov/progdsc/hecm--df.cfm> and click “searchable listing” under the application section. HUD may be reached by phone at 888-466-3487.

CAN I APPLY FOR A “HECM” MORTGAGE WITH AHFC?

Alaska Housing Finance Corporation does not offer HECM mortgages. The program is only offered through HUD and approved local lenders.