Three Beneficial Ways to Use a Reverse Mortgage by Amber Ladlie

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According to a national survey conducted by AARP in 2006, 97% of seniors were very satisfied with the results of their reverse mortgage. Of the seniors surveyed, only 3% did not believe their loan had a positive impact on their financial stability. Looking at these statistics, it is obvious that reverse mortgages are benefiting the large majority of borrowers. What many seniors are wondering is how. While reverse mortgages can be used any number of ways, most borrowers use these loans to accomplish one of three common goals:

Pay Off an Existing Mortgage Loan

According to the Center for Retirement Research at Boston College, the average pre-retirement household, consisting of individuals at least 55 years of age, has saved approximately $60,000 for retirement. Almost 20% have less than $5,000 saved for retirement. Many seniors are not only dependent on their Social Security income, but they claim benefits as soon as they become eligible which reduces the size of their monthly payments.

Although many seniors have not been able to save for retirement, they have accumulated a great deal of home equity. To eliminate their largest expense, many seniors use reverse mortgages to pay off their existing mortgage loans. By eliminating oneâ€™s mortgage payment, many seniors are able to increase their cash flow and enjoy retirement more comfortably.

Supplement Income During Retirement

Reverse mortgages are also frequently used to supplement seniorsâ€™ retirement income. Any proceeds that remain after repaying oneâ€™s mortgage loan can be used however the borrower wishes. Some borrowers choose to save their loan proceeds, while others use the cash to reduce their debt, pay medical bills, make home repairs, or simply enjoy extra spending money.

Purchase a New Home

In January of 2009, HUD began allowing seniors to purchase new homes through the Reverse Mortgage for Purchase program. Through this program, seniors are able to take a reverse mortgage on their current home and then use the proceeds to purchase a new property.

This program is beneficial for several different reasons. First, it helps seniors, who would not otherwise be approved for a mortgage loan, purchase a new primary residence. This makes it possible for seniors to downsize, purchase a more suitable property, or move closer to loved ones. The Reverse Mortgage for Purchase Program also eliminates the need to pay two sets of closing costs. Instead of paying closing costs on a reverse mortgage and new mortgage loan, borrowers are charged for one transaction. If a borrowerâ€™s loan proceeds exceed the price of the new home, he or she will also receive the difference. No other loan product offers the same benefits as the Reverse Mortgage for Purchase program.

When considering the different uses of reverse mortgages, it is not surprising that 97% of borrowers are satisfied with their loan. After all, these loans are both unique and extremely flexible. A reverse mortgage is the only loan product that allows borrowers to convert their home equity into cash that can be used to meet their most pressing financial needs.

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Amber enjoys teaching people about financial products that can be used to further their quality of life without putting an extra strain on their pocketbooks. To see how much you can receive through a a reverse mortgage, please visit a http://www.seniorreversemortgage.com/ for more information.

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