

REVERSE MORTGAGES

The manner in which reverse mortgages are advertised as simple, no regular payments loans, makes them, at first glance seem to be an ideal way for the retired and mortgage free people to have an immediate and easy cash windfall. Whilst this is true, it must be remembered that this is a loan and interest and various fees are nevertheless charged for the duration. The total of interest and fees will eventually be added to the loan balance which is usually repayable on the sale of the property or the owner's death, whichever is sooner. This is not a free loan!

So what are the pitfalls? The interest rate charged on the loan is usually higher than an average bank interest rate. There will usually be additional fees such as a valuation fee and broker's commission. The increasing value of your home may not keep pace with the accumulating debt owed. This may not be a problem whilst you continue to live in your home, but if you decide at some point to sell your home, then the loan will become repayable. You may find that after repaying the loan you are left with insufficient funds to buy yourself an equivalent replacement home.

So what should you do? First, it is essential that you seek advice from your lawyer and then think very carefully about whether you really need this loan in the light of your lawyer's advice.