

Jumbo Reverse Mortgages Are Increasingly Available for High-Value Homes



Seniors with pricier homes now have an increased ability to get a jumbo reverse mortgage in order to raise cash for retirement. As the housing market has improved, jumbo reverse mortgages are becoming more popular even though they carry some risk.

Reverse mortgages allow homeowners who are at least 62 years of age to borrow money on their house. The homeowner receives a sum of money from the lender, based largely on the value of the house, the age of the borrower, and current interest rates. The loan does not need to be paid back until the last surviving homeowner dies, sells the house, or permanently moves out. Homeowners can use money from a reverse mortgage to pay for improvements to their home, to allow them to delay taking Social Security, or to pay for home health care.

The most widely available reverse mortgage product is the Home Equity Conversion Mortgage (HECM), the only reverse mortgage program insured by the Federal Housing Administration (FHA). However, the FHA sets a ceiling on the amount that can be borrowed against a single-family house, which is determined on a county-by-county basis. The national limit on the amount a homeowner can borrow is \$625,000.

High-end borrowers must look to the proprietary reverse mortgage market, which imposes no loan limits. Proprietary or jumbo reverse mortgages allow buyers to borrow millions of dollars. For example, American Advisors Group, a reverse mortgage lender, allows borrowers to obtain a reverse mortgage on properties valued up to \$6 million. Qualified borrowers can borrow up to \$3 million in loan proceeds. While HECM loans limit the amount a borrower can have access to in the first year, these jumbo mortgages may allow the borrower to access the entire loan right away.

The downside of a jumbo reverse mortgage is that because it is not insured, it doesn't have to have the protections set by the federal government for HECM reverse mortgages. For example, loan counseling isn't required and fees are not restricted. During the housing market collapse most lenders stopped offering jumbo reverse mortgages, but as the market has improved, the jumbo is returning.

A reverse mortgage is not the right step for everyone. Talk to your attorney about whether a reverse mortgage is right for you.