How much money can a person expect to receive from a reverse mortgage?

Generally speaking, the higher the property value, the older the borrower(s), and the lower the current interest rates – the larger the loan. Although it is possible to find slight differences from lender to lender, most adhere to the four variables considered when calculating the maximum amount of a HECM Standard or HECM SAVER loan. These variables often include:

(1) The age of the borrower, or the youngest age of joint borrowers.

(2) The prevailing interest rates in the marketplace in which the loan is being written.

(3) The lesser of the appraised value or the maximum loan limit (presently set by HECM/FHA at $625,500) or the sales price of the home being purchased.

(4) The initial Mortgage Insurance Premium.

Unlike traditional mortgages where the loan to value (LTV) ratio is a significant feature, in a reverse mortgage there is no stated maximum. Unfortunately there is a general misunderstanding that the LTV ratio for a reverse mortgage is linked to the age of the borrower, leading many borrowers to believe that a 67-year-old would have an LTV ratio of 67 percent, a 70-year-old 70 percent, etc. In reality, the range for most LTV ratios is 50 to 65 percent of the home’s appraised value.

**Planning Point: Another option available on reverse mortgages issued through the HECM/FHA for homeowners with appraised home values in excess of $625,500 is the private sector.**

**Those who choose this route should keep in mind the private lenders are not required to follow the strict letter of the law as set by HUD and administered by the FHA. They should however insist that the general outlines of the HECM be followed as closely as possible.**

**The number of lenders willing to issue reverse mortgage loans has dwindled over the past few years primarily as a result of the extended historically low interest rates. As rates rise, the number of mortgage companies entering or reentering this market should increase.**