

# Moreira Team Explains What Is an HECM Reverse Mortgage

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Moreira Team | MortgageRight, a company based in Atlanta, GA, has recently released a blog post that explains the Home Equity Conversion Mortgage (HECM), which is only available through a home financing provider that has been approved by the Federal Housing Administration (FHA). Its primary benefit is that homeowners are able to leverage their home equity and cash out some of that amount to be used for other vital expenses.

According to the National Reverse Mortgage Lenders Association (NRMLA), there were only 2,600 reverse home financing deals issued monthly in 2019, but by May 2020, that number has almost doubled to 5,000 per month. That particular trend has been observed to have continued into 2021 and 2022 because the cost of living has significantly risen due to inflation. However, it is also important to take note of the potential problems with reverse home financing arrangements. They are different from the conventional home financing deal in that they offer financing using home equity and real estate ownership as collateral.

A reverse home financing offer enables the homeowner to have access to cash from the home equity without having to make any monthly payments on the amount that is borrowed. As such, the amount will only be considered repaid once the property is sold or the homeowner has passed away. However, there are a variety of reverse home financing programs available and some cannot be trusted. They could just be taking advantage of homeowners who are experiencing financial difficulties. That is why it is advisable to look for an HECM reverse mortgage, which is provided by an FHA-approved financial company. These are insured by the FHA and offer more protection for the both the homeowner and the home financing provider.

It is important to note that the HECM reverse mortgage is different from the conventional home financing arrangement in various ways. First of all, they are only offered to homeowners who are 62 years old and above. Second, the best are insured through the FHA. Third, qualification is mostly based on home equity. Fourth, the available amount with be based on the borrower?s age, home value, and current home financing rate. Fifth, there will be no monthly payments. Sixth, it will be considered repaid once the property is sold or when the borrower moves or passes away. And finally, these are non-recourse financing deals and are secured only by the home value and not by the other financial assets of the borrower.

Alvaro Moreira says, ?The primary benefits of an HECM reverse mortgage are the ability to borrow cash from your home equity and not having to make any payments on the loan. You are basically cashing out your existing equity now and not worrying about repayment until the property is sold. Let?s look at a common example of a reverse mortgage loan.?

However, there are a number of potential disadvantages of this kind of home financing arrangement. First of all, it should not even be considered when if the extra money that is made available is truly not needed. If a person has already completed retirement savings or pension and Social Security payments, there is no point in applying for a reverse home financing deal. It would be best to keep the home equity intact and pass its full value to one?s heirs. Second, there is also a cost for originating the money, which could amount to thousands of dollars, plus there would be closing expenses. This amount will either come out of one?s pocket or will be rolled into the loan. Another additional cost would be the insurance that would be required. Although FHA will be insuring the amount borrowed, the borrower will also need to pay an additional monthly insurance premium.

The Moreira Team | MortgageRight was established to help people own a new home or refinance their current home in an equitable and transparent manner. To do that, the process they undertake will need to be real, without any concern for sales, where home buyers or the homeowners will really feel good about the whole procedure because they have been assured that the Moreira Team has set its sights on prioritizing their long term life goals and best financial interests.

People who are interested in learning more about the HECM reverse home financing arrangement can visit the Moreira Team | MortgageRight website or contact them through the telephone or by email.

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**Moreira Team | MortgageRight**

*Here at Moreira Team, we?re a close-knit group of mortgage rock stars operating together with one purpose: to simplify home financing for borrowers just like you.*

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