

## Who benefits from higher home prices with a reverse mortgage?

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**Q. When there is a reverse mortgage, what happens if the value of the home goes up? Does the owner get the difference between the mortgage amount and the higher home value, or does the mortgage company get it?**

— Homeowner

A. Let's go over how reverse mortgages work.

A [reverse mortgage](#) is a loan that is available to homeowners who are 62 and older. The loan is a payment-free loan and interest accrues over the life of the loan, said Marnie Hards, a certified financial planner with Aznar Financial Advisors in Morris Plains.

She said the loan [must be repaid](#) in full upon the borrower's death, when the home is sold or when the homeowner moves out of the home.

There are several ways you can [tap the equity](#) in the home.

"You can take a lump sum, a monthly payment or set up a line of credit that you may draw from," Hards said. "The amount that will be available to you in the form of a reverse mortgage is based on a combination of the age of the youngest borrower, the property value and the interest rate available."

When you establish a [reverse mortgage](#), there is a principal limit, which is the maximum amount that you can receive from the mortgage, Hards said. This amount is determined at closing.

"If the value of your home increases and you want to increase the loan amount of the reverse mortgage, you would need to refinance your existing mortgage," Hards said. "Homeowners may choose to refinance their mortgage if the lending limit increases, the interest rate decreases or if the current value of the home has increased since it was first set up."

The current [reverse mortgage](#) limit amount in 2020 for the HUD home equity conversion mortgage (HECM) is \$765,000, she said.

At the homeowner's eventual demise, the beneficiaries would receive the market value of the home less the balance on the reverse mortgage at that time, Hards said.

Email your questions to [Ask@NJMoneyHelp.com](mailto:Ask@NJMoneyHelp.com).

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