

Limits for Reverse Mortgage Pushed to \$625M by Stimulus Bill Making More Seniors Eligible

Reverse Mortgages may boom with clarification of the new provision allowing new home purchases

Feb. 19, 2009 – Many more senior citizens became eligible to take advantage of the government's reverse mortgage program this week as the loan limit was raised to \$625,500 for the rest of 2009, from the former limit of \$417,000. The temporary increase in the HUD Reverse Mortgage program is included in the Stimulus Bill, signed by President Barack Obama, according to the National Reverse Mortgage Lenders Association (NRMLA).

The NRMLA says the limit will be raised on a temporary basis to 150% of the Freddie Mac Limit for the remainder of 2009, which would put it at \$625,500.

HUD normally has different limits for different areas of the country, except in the case of the Home Equity Conversion Mortgage (HECM or "Heck-um") program which was just changed last year to a national limit of \$417,000, according to Cliff Auerswald of the All Reverse Mortgage Company.

Auerswald says this is important because that would seem to indicate that there will be no differences in high cost areas versus areas not considered high cost, that the limit will be \$625,500 nationally.

This is very important to senior homeowners who have properties with higher values, especially those who previously had existing mortgages with balances that the traditional reverse mortgage program could not pay off.

With the disappearance of proprietary or jumbo reverse mortgage products, these senior homeowners had nowhere to turn.

"With the passage of this program, senior borrowers with high valued homes may now be able to receive much more money to use for whatever need they may have, including retiring higher existing debt," according to Auerswald.

The chart on the right of this page – provided by All Reverse Mortgage Company - shows how much more a borrower can expect to receive under the new limit.

Auerswald says this chart is only an estimate and seniors must use the Reverse Mortgage Calculator to get the exact figures for their area.



“But,” he adds, “if you take the youngest borrowers age and look at the figures on the chart, it will give you an estimate of the comparison of approximately what the borrower would receive at the existing limit of \$417,000 and how much more the senior will receive at the new proposed limit of \$625,500.”

He suggests the following may describe seniors who will be interested in the new higher limits:

- If you have been waiting because your benefit amount would not pay off enough of your existing debt;
- if you had already received a reverse mortgage but were limited in the amount of funds you could receive even though your property was worth considerably more than the current HUD limit; or
- if you find that with the current economic circumstances you must do something to protect your way of life.

The legislation will only make the limits available until the end of 2009 and then it will be up to Congress to vote to extend that loan amount further.

The new expanded loan limit may create a boom in reverse mortgage activities for senior citizens, and there will most certainly be a boom when, and if, the Department of Housing and Urban Development clears up the rules and procedures for another change approved for 2009 that will allow older Americans to use reverse mortgages to buy new homes. (See sidebar story)

Auerswald says there is already “a backlog” of applicants waiting for the home purchase program. He says, too that margins and rates fluctuate with reverse mortgages now more than ever in the past.