

Do You Know How to Turn Your Home Mortgage into a Source of Income?

Do you have significant equity tied up in your [home mortgage](#)? Do you need a new source of income? And are you 62 or older? If the answer to all three of these questions is yes, you may be a candidate for a reverse mortgage. When you take out a reverse mortgage, a lender makes home mortgage payments to you against the value invested in your house. You may choose to get the value of your property in monthly payments or in a lump sum. You are allowed to remain in your house until you move away, enter a retirement community or nursing home, or pass on.

If I get a reverse mortgage, will it cancel my existing home mortgage?

No, but the proceeds of the reverse mortgage will pay off the remainder of your home mortgage. Depending upon where you live, you might not be allowed to have any other home mortgages than the reverse mortgage on the property, so you may need to pay off your previous mortgages with the proceeds of the reverse mortgage before you can begin to use the income for other purposes.

Will my heirs still be able to inherit my house if I take out a reverse mortgage on it?

Of course. Your heirs may repay the value of the reverse mortgage, attempt to sell the house to cover the cost of the reverse mortgage, or let the bank or other lender resell the house itself. It is possible for your heirs to cover the cost of the reverse mortgage, effectively taking out a new home mortgage on it. As you can see, although it is possible to keep the property in the family, the extra expense of a reverse mortgage makes it strongly unlikely that your heirs will choose to redeem the reverse mortgage and keep the property in the family. Consider a reverse mortgage only if passing on your house to your heirs is not important to you.

What happens if the lender finishes making all the loan payments during my lifetime?

If the lender completes the full series of reverse mortgage payments while you are still alive and living in the house (that is, if you receive the full value of the house), you do not need to relinquish your house to the lender and move out. Because a reverse mortgage guarantees you the right of tenancy during your lifetime, you may live in the house as long as you like, without any obligation to return any part of the money to the lender. Staying in the house will not create a debt for you, your heirs, or your estate. In fact, it is not possible for a reverse mortgage to put you into debt. This is one of several points that makes reverse mortgages more attractive than a regular home mortgage.

About the Author

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