MarketWatch

Now it's tougher to get a reverse mortgage

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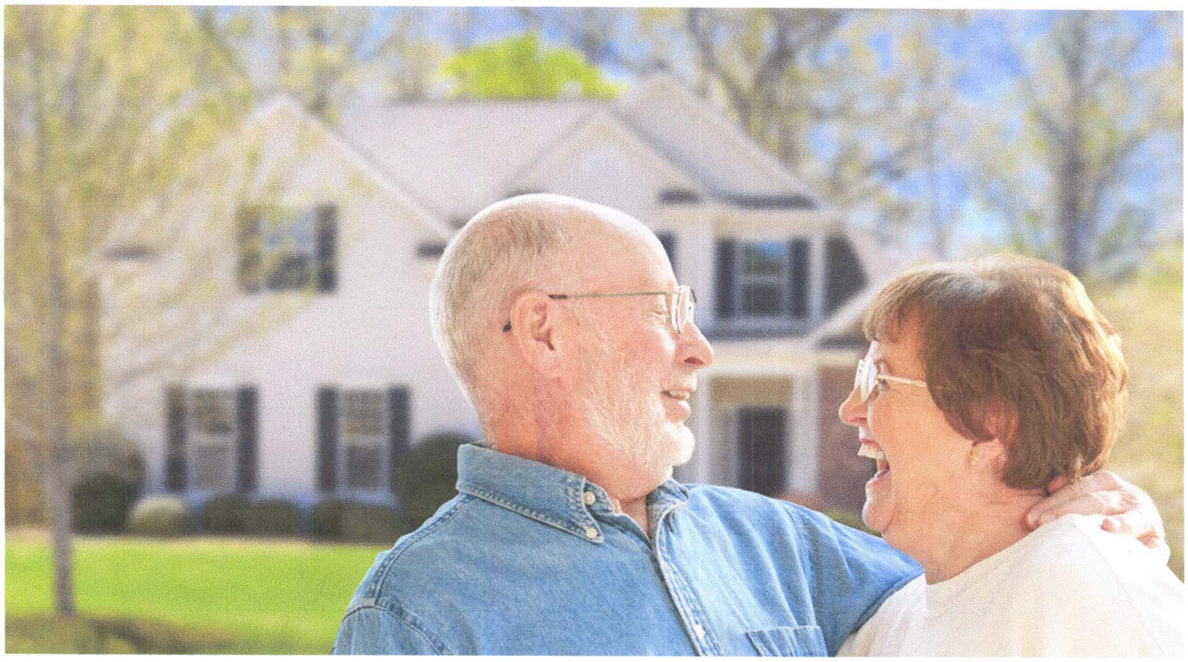
New rules will make applicants prove they're good risks



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New federal rules that kicked in last month may make it harder for some people to qualify for reverse mortgages. But they'll also make it more likely that those who do receive reverse mortgages will have fewer worries about them.

Reverse mortgages are FHA-insured loans available to homeowners age 62 or older that let the borrowers convert their home equity to cash without making monthly payments; they're repaid when the borrower sells the home, moves or dies. A 65-year-old with a $250,000 home might be allowed to borrow $127,000 with a reverse mortgage, according to the Boston College Center for Retirement Research.

The new financial assessments

Under the new rules (which sprang from a 2013 law), to get a reverse mortgage, you'll now be subject to what's known as a "financial assessment" — much like what lenders do when sizing up applicants for regular mortgages. Lenders will now review the income, cash flow and credit reports of prospects.

Basically, you'll need to prove that you have the "willingness" and "capacity" to continue paying your home's property taxes and insurance premiums. If the assessment convinces the reverse mortgage lender that you won't have the cash to