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A Kinder, Gentler Reverse Mortgage

Tighter Regulations Should Make Them Safer

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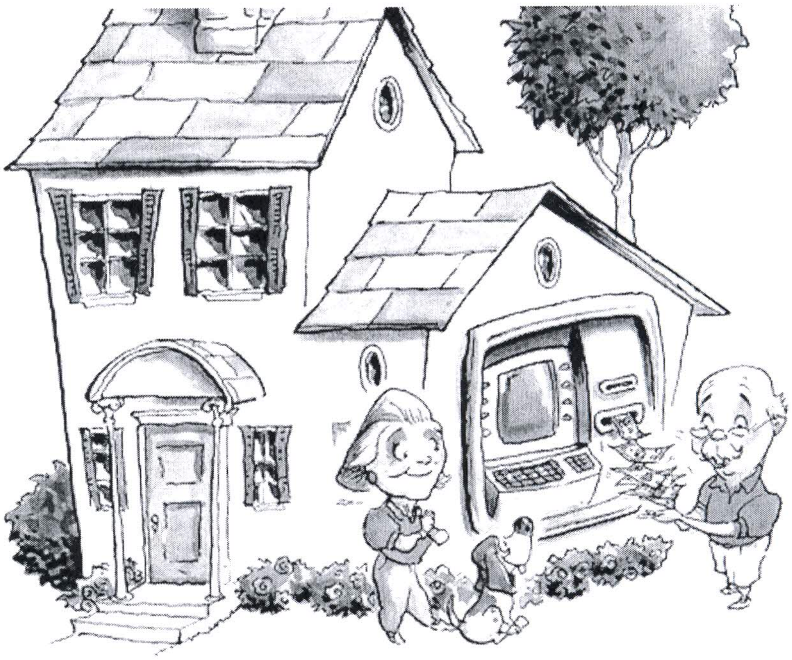

Michael Witte

The rules for securing a reverse mortgage are getting tougher. And most financial advisers say that's a good thing.

In a reverse mortgage, homeowners borrow against the equity in their house. They can take the money in a lump sum, monthly payments, or as a line of credit to be tapped when needed. Reverse mortgages are generally made by specialist lenders, and the most common loans are backed by the Federal Housing Administration's Home Equity Conversion Mortgage program, widely known as HECM loans. Borrowers must be 62 years or older to qualify.

Used wisely, reverse mortgages enable older adults to tap the value of their homes without having to uproot themselves and sell. But experts warn retirees to tread carefully with these complicated loans. Used improperly, a reverse mortgage can leave a retiree broke and without a roof over his head.