

# Why you should consider a reverse mortgage

This is a handy financial resource for elderly citizens

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There are different types of loans financial institutions provide and a reverse mortgage is one that is extremely popular and well-known globally. It is a loan provided for elderly citizens who own a house. Under a reverse mortgage, applicants get the loan amount as monthly instalments and lenders claim their loan by selling the property after the borrower's death. This can be one of the best money-making ways for elderly citizens to cover their monthly financial expenses.

The concept of a reverse mortgage is more or less the same all over the world. There can be a slight difference in the eligibility criteria. The eligible age in the UAE is 62. During retirement, this kind of financial assistance will affect the quality of life positively. This financial resource during dotage comes with some benefits.

### A guaranteed source of income

Post-retirement there can be several costs added to one's living expenses. If there are no retirement savings, it can be a big worry to afford the monthly expenses, especially in a place like the UAE where the cost of living is high. At this point in time, a reverse mortgage can generate some money without needing to vacate the house.

A certain amount will be credited to your account every month, which will satisfy the monthly expenses. The fixed amount of monthly instalments will be decided at the time of loan approval. No matter how many years the borrower lives in that home or whether the property value declines, there will be an instalment sent without fail.

A reverse mortgage can also act as a second source of income. Having extra money during elderly age is always beneficial. There can be some unfulfilled dreams like vacations, purchases, etc. which can be fulfilled. The extra money also provides some cushion for emergency needs, especially medical costs. If you have retirement savings, you can't always withdraw that to bear medical expenses. A reverse mortgage can help.

### No monthly instalments

Unlike a forward mortgage, borrowers get the loan amount as per their requirement. The borrower gets to decide how to get the loan – whether a lump sum amount or a stream of monthly payments for a period or till the death of the borrower or as long as the borrower lives in the mortgaged house. Once the house is vacated or sold, the borrower needs to pay back the finance taken with a predetermined interest rate.

### Non-recourse loan

The loan amount provided is high compared to other traditional loans. But a reverse mortgage is also a non-recourse loan, which means neither the borrower nor the heirs will be considered as liable to clear the loan. Even if the mortgage amount increases the house value, this will not affect the borrower.

Every coin has two sides and though a reverse mortgage has advantages, there are some disadvantages as well. For instance, the lender is not responsible for costs like home insurance, taxes, home maintenance, etc. The homeowner (the borrower) needs to bear all these expenses. The borrower's family will be less likely to inherit the house. People who intend to hand over the property to their heirs have to consider this.

Also, being a non-recourse loan, the interest rates can be high compared to traditional loans.

But a reverse mortgage can be beneficial if you don't have retirement savings or in need of a second income, i.e. extra cash. If borrowers can foresee living in the house for the length of their lives or at least for a long time, then reverse mortgage can be a good deal.

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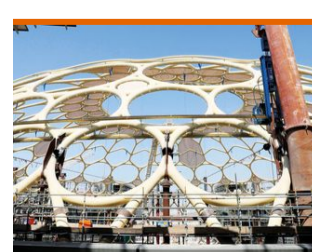
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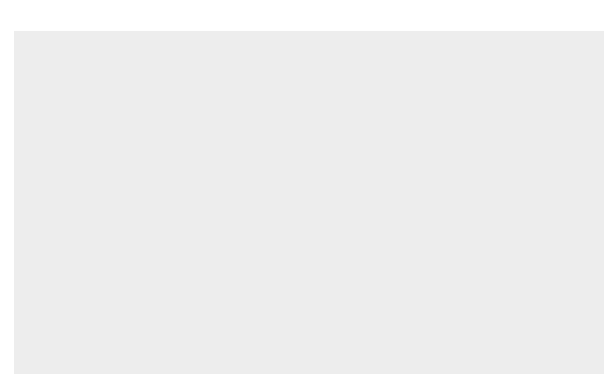


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