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ELDER LAW MINUTE

Reverse Mortgages are a way for older Americans who run low on liquid assets to stay in their homes, but to live off of the equity therein. They have become increasingly popular in the last few years.

The attractive aspect of these loans is that no payments are due while you are living in the home. When you permanently vacate the house, the loan must be repaid in full.

If you are not concerned about leaving an inheritance to your children, the reverse mortgage is a way to keep your house and enjoy the value of the equity at the same time. Because you are making no payments on the loan, the amount owed to the lender will grow rapidly over time.

Additionally, reverse mortgages typically require very high closing costs and mortgage insurance premiums. So unless you are confident that you will be able to reside in the home for many years in the future, this is an expensive way to borrow money.

For Medicaid purposes, the receipt of a distribution from the reverse mortgage may count as income when it is received (if it is an annuity payment) and will count as a resource if it is not spent in the month of receipt.

Investment counseling is required before you can take out a reverse loan which should be an indication that this is a risky venture.

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