REVERSE

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- Get a monthly disbursement of loan proceeds for the rest of their life (called a tenure payment plan); or get monthly payments for a self-selected term; or

- Do a combination, a hybrid line of credit plus one of the two above-mentioned monthly payment options.

"The most popular taken out is the line of credit," said Irwin, whose organization is the national voice of the industry, serving as an educational resource, policy advocate and public affairs center for lenders and related professionals. It was established in 1997 to enhance the professionalism of the reverse mortgage business.

Borrowers can use the money for pretty much whatever they want.

"The lender does not restrict nor instruct what those loan proceeds are used for," Irwin said.

Unlike a simple home equity line of credit (known as a HELOC loan), the reverse mortgage does not reset. It cannot be suspended or frozen, as a HELOC loan could if the property changes in value.

And, a reverse mortgage is a non-recourse loan, meaning at no time will the borrower have to pay back more than the value of the home.

Irwin said a rising loan balance can eventually grow to exceed the value of the home, particularly in times of declining home values or if the borrower continues to live in the home for many years.

Education about such loans is a necessity going in, Irwin said.

"If the borrower wants to pass the home on as inheritance, they have to understand that this loan will have to be paid off," Irwin said. "It doesn't have to be the home that pays back the lender. It can certainly be paid back by refinancing the estate, or through personal funds. But typically, the property is sold and the lender is paid back."

The Federal Housing Administration-insured Home Equity Conversion Mortgage, or HECM, was signed into law on Feb. 5, 1988, by President Ronald Reagan as part of the Housing and Community Development Act of 1987. The first HECM was given to Marjorie Mason of Fairway, Kan., in 1989 by James B. Nutter and Company.

American Advisors Group, a top lender in the industry, says the first reverse mortgage was written in 1961 to Nellie Young in Portland, Maine, by Nelson Haynes of Deering Savings & Loan. Haynes designed the unique type of loan to help the widowed wife of his high school football coach stay in her home after her husband died.

Many years later, at a congressional hearing in 1969, the concept of a reverse mortgage arose before the U.S. Senate Committee on Aging when a California professor named Yung Ping Chen talked of his support for an "actuarial mortgage plan in the form of a housing annuity."

It wasn't until 14 years later that the Senate approved a proposal by Sen. John Heinz to have reverse mortgages insured by the Federal Housing Administration. Heinz also suggested that the idea of home equity conversion should be further explored.

Those early actions eventually led to the bill signed into law by Reagan in 1988.

The reverse mortgage loan requires counseling from an authorized independent third party. That's important to make sure people understand how the loan works before the lender proceeds with any fees or loan application, Irwin said. The third parties include those who are trained in HUD regulations, such as housing counselors and related agencies, mostly nonprofits.

"When this product started out there was not a financial assessment required of the borrowers," said Irwin, who has more than 25 years in the industry. "It is an obligation of the borrower to have homeowner's insurance and to keep their property taxes current. In the early pilot days of this, there were borrowers who were having difficulty meeting those obligations."

Through some urging of the association and "some fine and steady work" by U.S. Housing and Urban Development, the program has evolved over time to include such a financing assessment to ensure the reverse mortgage loan is a good fit for borrowers, he said.

An FHA-insured reverse mortgage only can be used on a primary residence, not second or more homes.

Possible as a result of the pandemic, seniors are said to be more interested in staying in their homes longer.

And they have plenty of money at their command. Currently, in the United States, homeowners 62 and over have some $8 trillion in home equity available to them, Irwin said. The number marks an all-time high since measurement began in 2000.

Legislatively there have only been a few major changes to the law in recent years. The Housing and Economic Recovery Act of 2008 put in provisions that limited allowable origination fees and the cross-selling of other financial products associated with the reverse mortgage. There was also the Reverse Mortgage Stabilization Act of 2013, which enabled HUD and FHA to make regulatory change via rulemaking, rather than a drawn-out regulatory approach through Congress.

Many people still don't know what's available to them when they reach an age when they could really use the money.

"There are challenges with product awareness, but that continues to improve all the time. But by the same token it's not a product for everybody," he said. "People who want to age in place want to carefully consider whether their home is appropriate (to stay in). Are there too many stairs? Are there accommodations for handrails in the bathroom, etc. People should consider if downsizing to a smaller home might not be better."

"This is an option available to homeowners under the right circumstances and at the right time. But it's not the only option and I think that's very, very important."

While reverse mortgages continue to gain traction in the U.S., they are also increasing popular in places like Canada, the United Kingdom, Europe, Australia and South Korea.

The program is offered by many, but not all, regional and national banks, and economics has made participation iffy at times. During the recession years in 2008 and 2009, which was driven primarily by a housing crisis, Wells Fargo and Bank of America pulled back from this space.

"But it wasn't anything related to the reverse mortgages, they just had a lot of issues on their plate and needed to devote their attention to them," Irwin said.