Before you consider a HELOC, there may be a better choice, exclusively for you.
A Home Equity Conversion Mortgage.

- If you are 62 or older
- If you don't want to make required monthly mortgage payments
- If you are planning on living in the home for at least several years
- If you are interested in a flexible line of credit that is available when you need it

For many people, a Home Equity Conversion Mortgage (HECM)—often referred to as a reverse mortgage—has **clear-cut advantages** over a home equity line of credit (HELOC):

No Monthly Repayments

The reverse mortgage requires **no monthly mortgage payments,** and borrowers have the option to prepay at any time without a penalty. By contrast, borrowers with a HELOC **must** pay back any money borrowed, plus interest, within the repayment period—requiring monthly payments that can grow over time. Some HELOCs even have prepayment penalties. With the HECM, the loan plus interest is paid back only when the borrower stops living in the home, sells, or does not meet terms of the loan.[1]

No Annual Fee

The reverse mortgage requires no annual fee to maintain the line and no termination fee. With a HELOC there can be an annual fee and a termination fee that can be hundreds of dollars over the life of the loan.

A Line of Credit That Grows

The unused portion of the HECM credit line grows over time, will stay open and available when needed and cannot be canceled or reduced, as long as you meet the terms of the loan.[1] With a HELOC the lender can reduce or cancel the line of credit at any time. Lenders often reduce or cancel HELOCs if home values fall, if there is a recession, or if the HELOC is unused, even if the borrower makes all the payments. Taking out a HELOC is not always the most reliable option.

[1] A HECM requires the borrower(s) to live in the home, pay property taxes and home owners insurance, and maintain the property, among other conditions.

Flexibility

With a reverse mortgage you have the option to receive the proceeds from the HECM as a line of credit, regular monthly payments, a lump sum, or any combination of these choices.

FHA Insurance

HECM reverse mortgages require a mortgage insurance premium (MIP) to be insured by the Federal Housing Administration (FHA). Because of this insurance, these loans are "*non-recourse*," which means when your home is sold to repay the loan, neither you nor your heirs will be required to repay more than the sale price of the home, *no matter how long you live in the home.*

See the comparison chart on the reverse for more details

Home Equity Conversion Mortgage (HECM) vs. Home Equity Line of Credit (HELOC)

SIMILARITIES	HECM	HELOC
Do you keep the title and own your home?	Yes	Yes
Money available for immediate use?	Yes	Yes
Are you responsible for taxes, insurance and home maintenance?	Yes	Yes

DIFFERENCES	HECM	HELOC
Required monthly loan payments	No	Yes
How money can be received	Credit line, lump sum, steady stream of monthly payments or combination	Credit line only
Future credit line availability*	Guaranteed, increases over time	May be cut or suspended by lender
Loan balance	Increases	Decreases
Foreclosure risk due to nonpayment[1]	Limited to tax and insurance defaults and property maintenance	Defaults on monthly payments as well as tax and insurance
Can heirs be required to repay more than the home is worth?	No	Yes
Lifetime rate cap	5% or 10% above initial rate	Can be as high as 18% to 24%

* CFPB Report to Congress on Reverse Mortgages, June 2012. Note: Credit line is available only on adjustable rate HECM products.
[1] A HECM requires the borrower(s) to live in the home, pay property taxes and home owners insurance, and maintain the property, among other conditions.

For more information

on unlocking the power of your home with a HECM,
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