

Reverse Mortgage Limits: What They Mean to You

When applying for a reverse mortgage, you might desire to know about the reverse mortgage limits. These limits could affect you depending on the value of the home. Actually, there are "hard" limits and "soft" limits.

A hard limit is the upper barrier set by the FHA. At this time, 90 percent of reverse mortgages are FHA backed. Therefore, the limits set by the FHA are very important.

At this time, the FHA limit fluctuates from \$200,160 and \$362,790. The lower limits are used for rural areas and the higher ones for large cities or states where the living cost is more expensive. Also, the limit can be adjusted up to 150 % in Alaska, Guam, Hawaii and the Virgin Islands.

These upper barriers are raised every year. However, to have a realistic picture of how much you can expect to get, you have to understand about the soft boundaries. Soft ceilings restrain homeowners of high price houses to borrow more than those with homes around the FHA boundary and also set the actual amount you can get.

The soft boundary can be thought as the actual limit for your house because it will set how much you can get. The amount that you can get is arrived at from the lower of the appraised value and the FHA boundary.

The real funds homeowners can get is dependant on their age, the market rate, diverse mortgage costs and the appraised value of their home or FHA's home boundaries for their region. In general, the more valuable your home is, the older you are, and the lower the interest rates, the more you may get.

For instance, homeowners with a \$100,000 home lona at 9% interest rate could get up to 22% of the house's value if they are 65. If the homeowners are 75, they could get up to 41%, and up to 58% if they are 85 years of age.

Furthermore, remember that there are no asset or income ceilings on borrowers getting a HUD's reverse mortgage. This basically means that you can have bad credit or earn no income or too much income and still qualify for the mortgage. Nobody could be excluded because income, assets, or poor credit.

Remember, before you get a home mortgage, discuss it with your professional mortgage broker about the reverse mortgage limits so that you can get a more realistic opinion of how much money you can borrow by apply for this type of mortgage.

About the Author

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