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Reverse Mortgages for Co-op Owners

By *JAY ROMANO*

Q. I have heard that there are lenders that are willing to provide “reverse mortgages” to co-op shareholders. What is this, and when will these loans be available?

A. Eric D. Sherman, a Manhattan real estate lawyer, said the writer was probably referring to the federal Economic Recovery Act of 2008, which expanded the federal home equity conversion mortgage program (H.E.C.M.) to include reverse mortgages for co-ops. “A reverse mortgage is a loan by which a borrower who is at least 62 years old can convert the equity in a home or apartment into cash, while retaining ownership,” Mr. Sherman said.

Unlike traditional mortgages, he said, reverse mortgages require no monthly payment. Instead, the loan becomes due, together with accrued interest, when the home is sold or the borrower dies or moves out.

Under the H.E.C.M. program, brokers and lenders approved by the Department of Housing and Urban Development can offer reverse mortgages to borrowers. While there is the age requirement, “there are no minimum income or credit requirements,” Mr. Sherman said.

He added that the H.E.C.M program should be available “within a matter of weeks, not months,” and that co-op shareholders should contact local lenders to find one that can make such loans.

Mr. Sherman says that even after the program is available, co-op shareholders will still probably need to obtain the consent of their boards. So a shareholder should request board approval before initiating the H.E.C.M. application process.