

# Reverse Annuity Mortgage Loans (RAM) - Private Lenders

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## What is a Reverse Annuity Mortgage?

Reverse Annuity Mortgage (RAM) loans offered by private lenders in Connecticut enable elderly homeowners to receive money as a loan secured against the equity of their home. Unlike regular home equity loans, the borrower does not make monthly payments to the lender. Instead, the lender pays the borrower in a lump sum, through a line of credit, or as monthly payments. The house remains in the home owner's name and he or she receives this income until death, sale of the property, or the inability to live in the house for up to 12 consecutive months. At that time the borrower or his/her estate must settle the loan, either by repaying the balance or selling the house to repay the balance. If the loan balance exceeds the value of the property, the estate will owe no more than the value of the property.

## Who is Eligible?

- Age 62 or older
- Your home must be your principal residence, meaning it must be where you spend the majority of the year
- You must either own your home outright or have a low mortgage balance. Owning your home outright means you do not have a mortgage on it anymore. If you have a mortgage balance, you must be able to pay it off when you close on the reverse mortgage. You can use your own funds or money from the reverse mortgage to pay off your existing mortgage balance
- You may not be delinquent on any federal debt, such as federal income taxes or federal student loans. You may, however, use funds from the reverse mortgage to pay off this debt
- You must agree to set aside a portion of the reverse mortgage funds at your loan closing or have enough of your own money to pay ongoing property charges, including taxes and insurance, as well as maintenance and repair costs
- Your home must be in good shape. If your house does not meet the required property standards, the lender will tell you what repairs need to be made before you can get a reverse mortgage loan
- You must receive counseling from a HUD-approved reverse mortgage counseling agency to discuss your eligibility, the financial implications of the loan, and other alternatives

## Cost:

There is interest paid on the loan; however, the interest is taken from the home equity and not from the lender during the period of the loan.

## Other Considerations

RAMs involve important decisions and can be complicated. It is important that homeowners consider their plans carefully and get appropriate advice from an attorney, accountant, or other reliable, professional source before deciding. It is recommended that anyone contemplating using a RAM to generate income contact the Connecticut Housing Finance Authority (<https://www.chfa.org/Homeownership/for%20Homeowners/default.aspx>) to consult with an information and referral specialist.

## Additional Resources

- Federal Trade Commission's Consumer Information on "Reverse Mortgages", <https://www.consumer.ftc.gov/articles/0192-reverse-mortgages>
- Fannie Mae's – KnowYourOptions.com, <https://knowyouroptions.com/reverse>



- Consumer Financial Protection Bureau – <https://www.consumerfinance.gov/ask-cfpb/can-anyone-apply-for-a-reverse-mortgage-loan-en-227/>

**To Find Providers in Connecticut's Community Resources Database:**

Search by service name: [Reverse Mortgage Programs](#)

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**SOURCES:** Connecticut Housing Finance Authority; "Reverse Mortgage Overview" posted on the KnowYourOptions.com (Fannie Mae) website

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