Reverse mortgages are nothing new, but are becoming more popular as a way of getting through bad financial times. The truth is they're not a bad choice if circumstances are dire. But because they are fast becoming subprime lenders' new best friend, be sure to examine all your options and get your facts straight before cashing in on your home's equity.

A reverse mortgage is a special type of home loan that lets anyone over 62 convert a portion of your home's equity into cash. But unlike traditional mortgages, no repayment is required until you no longer live in you home. Instead, the lender pays you either equal monthly payments, unscheduled payments or installments as needed, or a combination of the two. You don't need to qualify because the lender is looking to the value of the home as security for repayment once you no longer live there. The amount you can borrow depends on the existing equity, your age and the current interest rate. You are required to continue paying insurance and taxes. Your loan advances are NOT taxable as income and do not affect your social security or medicare benefits.

Reverse mortgages can be obtained through state and local government agencies or nonprofit organizations (single-purpose reverse mortgages), a federally-insured program called Home Equity Conversion Mortgages (HECMs) and backed by HUD, and through private lenders (proprietary reverse mortgages). Traditionally, single-purpose mortgages are the least expensive, but can only be used for one purpose. HECMs and proprietary reverse mortgages are more expensive than traditional home loans, and up front costs can be high. This is important to consider if you don't intend to stay in your home for a long period of time. One extra benefit of HECMs is that the borrower can live in a nursing home or other medical facility for up to 12 consecutive months before the loan be repaid.

The Federal Trade Commission cites some important things to consider:

1. Lenders charge an origination fee, mortgage insurance and other closing costs, and often servicing fees during the life of the loan.

2. The amount you owe grows over time because INTEREST is charged on the outstanding balance and added to the borrowed principal.

3. Most have variable interest rates.

4. They can use up all or part of your equity, leaving fewer assets for you and your heirs.

5. Interest on the mortgage is not tax deductible until the loan is paid off.

Reverse mortgages can be life-savers to people without other options. The AARPBulletintoday reported that a woman was rescued from foreclosure by obtaining a reverse mortgage to pay-off a subprime loan. But the National Consumer Law Center cites cases in which lenders are targeting older people with misleading claims involving reverse mortgages, pitching them as "free money" and failing to disclose the fees or terms of the loan. Aggressive sales tactics are used to persuade older homeowners to take out reverse mortgages, even when it's not in the homeowner's best interest. In some cases, these tactics include sending out postcards that appear to come from government programs promising help in tough economic times.

If you are considering a reverse mortgage, be sure to visit AARP's website to arm yourself with all the latest information before making your decision. And if you've heard of predatory lending practices involving reverse mortgages, be sure to comment about it here, and I will get the word out. Let's use the power of the internet and social networking to help protect those who may need it!