Should You Consider a Reverse Mortgage as Part of Your Retirement Plan?

will be over the age of 65 than under the age of 18. That may be why I am often asked about "reverse mortgages."

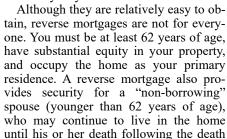
I spoke with one of my preferred lenders, Jaxzann Riggs, recently and was reminded that while most people know that a Home Equity Conversion Mortgage (HECM) can be used to refinance an existing mortgage to access equity, few people realize that a reverse mortgage can also be used to purchase a new home. Fewer people know this because the HECM for Purchase program was not established until 2008.

Prior to 2008, a borrower who wanted to use a HECM as part of their retirement strategy would be required to purchase their new home with a traditional loan and then to refinance into a HECM, doubling the closing costs.

The fundamentals of a HECM refinance and a HECM for purchase are identical. HECMs allow homeowners to access the full amount of their home equity (and, potentially, even more). Borrowers have flexibility regarding how they choose to access their equity. The borrower can eliminate monthly mortgage payments entirely or receive monthly payments from the lender, establish a growing line of credit or they can opt for a

10,000 people reach retirement age every day combination of all three. Because a HECM is a in the US, and Census statistics show that the loan, monthly payments received by the home-"Silver Tsunami" will crest in 2034. More people owner from the lender are not taxable and do not

reduce Social Security or Medicare bene-Home Financing | fits in any way.



of the "borrowing spouse."

Let's Talk

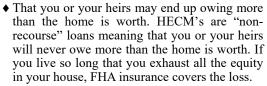
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Some of the misconceptions about reverse mortgages that prevent people from considering this option are:

- ♦ That the lender takes ownership of the home, when in fact, the title stays with the homeown-
- ♦ That your family won't be able to inherit the home when you pass. Any equity that remains

from a sale after paying off the mortgage will go to your heirs. If they choose to keep the home, they can refinance into a conventional mortgage.



While there are many benefits to a HECM they are not inexpensive. They are "insured" by the Federal government. The "Up Front" premium is 2% of the home's value and there is an annual premium of .50% of the loan balance (paid monthly). Homeowners pay traditional closing costs as well as an "Origination Fee" which cannot exceed \$6,000. While the upfront and annual mortgage insurance premiums may seem steep, they protect you and your heirs from owing additional funds if your loan balance exceeds the home's value when it is sold. Remarkably, the "note" that you sign for a HECM allows you and your spouse to live in the home for up to 120 years.

The terms offered to a borrower are based upon the age of the youngest borrower and the equity in the home. Jaxzann Riggs, owner of The

> Mortgage Network is happy to discuss whether a Home Equity Conversion Mortgage is right for you. Contact her at 303-

