

## Thinking of Using a Reverse Mortgage to Purchase a Home? Here's Some Information.

I often encounter buyers and homeowners seeking creative solutions to secure a home while maintaining financial security, especially in retirement. One such option is using a reverse mortgage *to purchase a home*. While reverse mortgages are typically used to tap into the equity of an existing property, they can also serve as a tool for buying a new home. I spoke to **Jaxzann Riggs**, owner of **The Mortgage Network**, to explain how a reverse mortgage works for purchasing a home and the benefits it offers.

A reverse mortgage is a loan that allows a homeowner, 62 or older, to borrow against the equity in their home without making monthly mortgage payments. Unlike a traditional mortgage, where the borrower pays down the loan over time, the reverse mortgage principal grows as interest and fees accumulate. The loan is repaid when the homeowner sells the home, moves out, or passes away.

When used to buy a new home, this loan is called a Home Equity Conversion Mortgage for Purchase (HECM for Purchase). This allows buyers to purchase a new primary residence *without the lender requiring monthly mortgage payments*.

One feature of a reverse mortgage is that it eliminates monthly mortgage payments. This is especially beneficial for those on a fixed income, as it frees up funds for other expenses. Without the

pressure of monthly payments, retirees can enjoy a more relaxed lifestyle and use their income for healthcare, travel, or other needs.

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A reverse mortgage offers buyers the flexibility to downsize, move closer to family, or find a home that better suits their retirement needs. Many retirees want smaller, more manageable homes, and a reverse mortgage can help make that transition without the financial strain of a traditional mortgage. The ability to purchase a home without monthly payments allows for a more comfortable and affordable lifestyle in retirement.

One factor that affects the use of a reverse mortgage for purchasing a home is the required down payment. The amount you need to put down depends on several factors, including your age, the value of the home, and current interest rates.

The older you are, the less you may need to put down. This is because the reverse mortgage is based on the equity in the home, and lenders consider older borrowers to have a shorter life expectancy, meaning they are less likely to outlive the loan. As a result, older borrowers can often qualify for a larger loan amount and require a smaller down payment.

For example:

- ◆ A 62-year-old borrower may be required to put down 50% of the home's purchase price.
- ◆ A 70-year-old borrower might only need to put down 40%.
- ◆ A borrower in their eighties may need to put down just 30% or even less.

While the down payment requirements are higher than those of conventional loans, it makes sense to use the equity from a current residence to purchase a new home with a reverse loan that will have no monthly mortgage expense. Jaxzann can help you with that, too.

Using a reverse mortgage to purchase a home offers many benefits for older buyers and homeowners. It not only eliminates monthly mortgage payments, preserves cash flow, and allows you to purchase a home that suits your needs in retirement, it uses liberal income underwriting guidelines, making it easier to qualify for than a traditional loan. A reverse mortgage is an ideal solution for individuals looking to enjoy their retirement without financial strain.

If you're considering this option, it's wise to consult a mortgage professional like Jaxzann Riggs to ensure it's the right choice for you.

If you'd like to learn more, call Jaxzann anytime on her cell, **303-990-2992**.

