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The Slumping Market Increases the Appeal of 'Reverse Mortgages' for Retirees

Let's Talk Home Financing

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Many people who are considered "baby boomers" (born between 1946 and 1964) are now either in retirement or fast approaching it. In fact, About 10,000 baby boomers turn 65 every day.

Park Hill residents Sandra and Daryl are excited and eager to join their retired peers, however with recent declines in the value of their retirement portfolio, they are concerned that those accounts may not cover their expenses (including their current mortgage payment) for the rest of their lives. While they still have some money owing on their current home they have built a large amount of equity over the past 20 years that can be used to ease the way into retirement. **Jaxzann Riggs,** owner of **The Mortgage Network,** explains how that might work.

Home Equity Conversion Mortgages, more commonly known as "reverse mortgages" or "**HECM's**" have become increasingly popular over recent years, and for good reason — a reverse mortgage allows homeowners to access the equity in their home. Borrowers with adequate equity can refinance their existing loan into a reverse mortgage OR they can use a reverse mortgage to purchase a new home.

Borrowers keep ownership of their home as they continue to age, and "non-borrowing" spouses (younger than 62 years of age), may continue to live in the home until his or her death. Borrowers also have flexibility about how they choose to access their equity, allowing people to choose what is best for their circumstance.

Ending current mortgage payments, receiving monthly payments, receiving a lump sum of cash, or creating a growing line of credit are four different options that a borrower may choose to utilize, or they can opt for a combination of all four. This money can be used however a borrower chooses and, because it is considered "borrowed" money and not income, it is not taxable and does not reduce Social Security or Medicare benefits in any way.

Here are some of the common myths and misconceptions about reverse mortgages:

Myth #1: The lender will take ownership of the home.

FALSE: Borrowers will retain ownership of the property. The lender does not take control of the title. The lender's interest is limited to the outstanding loan balance.

Myth #2: I will be forced to forfeit ownership of my house, the bank will take the title to my home..

FALSE: The heirs will never owe more than the value of the property; however, they will have the option to repay the loan and keep the house for themselves.

Myth #3: To qualify for a reverse mortgage, a home must first be paid off — "free and clear"

FALSE: Even if you still have a loan on your home, you may be eligible for a reverse mortgage.

While relatively easy to obtain, HECM's are not for everyone. You must be at least 62 years of age, have substantial equity in your property, and occupy the home as your primary residence. To be eligible, a reverse mortgage normally requires a minimum of 50% equity in the property. Given the very real possibility of a correction to real estate values, now may be the perfect time to consider your reverse options. Eligible property types include single family homes, two- to four-unit properties (borrower must occupy one unit), townhomes and modular homes, and FHA approved condos.

Some things to remember:

1) You are still responsible for paying property taxes, homeowners' insurance, and monthly HOA fees for the home, even though you won't have a monthly mortgage payment.

2) If you aren't living in the home for the majority of the year, or are planning on moving soon, then a reverse mortgage may not be the best fit for you.