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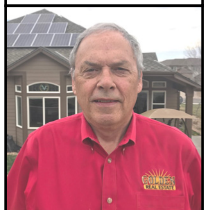
Planning for Retirement? Add a Reverse Mortgage to Your Retirement Tool Box.

Let's Talk Home Financing



By Jim Smith Realtor®

In the past year, we saw a "refi boom" as borrowers rushed to take advantage of record low interest rates and increased equity in their homes. Traditional "forward" mortgages are a great way for many people to save money on monthly payments and access cash, but they aren't the only option available to achieve those goals.

Home Equity Conversion Mortgages (HECM), more commonly known as reverse mortgages, are a loan option that most people are familiar with only by virtue of the many television personalities that promote them. Very few people understand though, just how valuable a reverse mortgage can be as a tool in retirement planning. A reverse mortgage uses the equity that you have in your home to make payments to you while at the same time eliminating your monthly mortgage payment. Although they are relatively easy to obtain, reverse mortgages 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 for the term of the loan.

A reverse mortgage helps to ensure that a borrower can retain ownership of their home as they continue to age and provides security for a "non-borrowing" spouse (younger than 62), who may continue to live in the home after the borrower's passing until his or her death. Borrowers also have flexibility regarding how they choose to access their equity, allowing people to choose what is best for their specific circumstance. ***Monthly payments, a lump sum of cash, or a growing line of credit*** are three different options that a borrower may choose to utilize, or they can opt for a combination of all three.

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 your Social Security, Medicare or other benefits in any way.

Despite significant changes made by HUD in 2014 that made HECMs more affordable and safer for consumers, there are still numerous misconceptions about reverse mortgages that have kept people from considering them. Many people think that the lender takes ownership of the home, but ***the title remains in the homeowner's name.*** Another misconception is 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 decide to keep the home, they can refinance into a mortgage of their own.

Another fear is that your heirs may end up owing more than the home is worth, possibly leaving a debt for your family. ***That's not true.*** Since HECMs are federally insured by an insurance premium paid to FHA, they are protected against decreasing home values. ***You will never be responsible for more than the value of your home at the time of sale.*** The premium paid to FHA and closing costs on reverse mortgages are not inexpensive, so ***don't consider a reverse mortgage unless you are planning to remain in your home long-term, preferably until you pass.***

It is important to remember that you are still responsible for paying property taxes, homeowners' insurance and HOA dues even though you won't have a monthly mortgage payment. It's critical to include these costs in your budget when determining your loan amount and ongoing monthly withdrawals, as you will be at risk of defaulting if these payments are not made.

Many Colorado property owners are enjoying fabulous equity in their homes, and it may be easier to qualify for a reverse mortgage than you think. Reach out to **Jaxzann Riggs** at **303-990-2992** to discuss whether a reverse mortgage is right for you.