

FHA Reverse Mortgages Aren't for Everyone. Here Are the Advantages & Drawbacks

In recent years, I have often written about reverse mortgages (Home Equity Conversion Mortgages) in part because approximately 170 Coloradans turn 62 each day. Colorado's aging population is growing fast. Between 2010 and 2020, we had the second fastest growing 65+ population in the country. That trend is expected to continue.

Because **Jaxzann Riggs**, owner of **The Mortgage Network**, keeps calling me with stories of homeowners whose lives have been dramatically improved by using a reverse mortgage, I asked Jaxzann to explain some of the benefits *and* the downside of reverse mortgages.

What Makes FHA Reverse Mortgages Unique

A reverse mortgage lets you borrow against your home's equity without selling. You keep the title, continue living in the house, but you don't make any payments on the loan. The loan — principal, interest, and fees — is only paid off when you sell, permanently move out, or pass away.

Because the money is considered a loan, you don't pay federal income taxes on it. That's a big advantage for retirees who want cash flow without tax consequences.

This can free up money for living expenses, healthcare, or home improvements while still letting the homeowner stay in the house. But it also reduces the equity left to pass on to heirs. If your heirs don't need it, it's ideal.

Just Listed: 2-Bed/2-Bath Green Mountain Condo

This top-floor condo at **331 Wright Street #304** is in the quiet Snowbird subdivision. Highlights include its rebuilt south-facing deck outside the living room with its vaulted ceiling, skylight and wood-burning fireplace set into a floor-to-ceiling stone wall. Updates include newer vinyl plank flooring and carpeting, a new electrical panel, and new light fixtures throughout. It has two full bathrooms, and the two reserved parking spaces (#210 and #211) are in front of the building (high-lighted in this picture). The low HOA dues include swimming pool, grounds maintenance and building maintenance, plus water, sewer and trash, providing a great lock-and-leave opportunity. Both bedrooms have walk-in closets. The Rheem furnace and central A/C unit and the water heater are just two years old and are under a transferrable warranty. All the other appliances are covered by a home warranty paid through May 2026. See more pictures and view a narrated video walk-through at www.GRElistings.com.



Golden Bungalow Back on Market; Open Sunday



perfect as is for any buyer, given the condition of the home and its oversized 2-car detached garage. This home is on the corner of Quaker Street and Mt. Vernon Road, and that garage, not visible in this picture, is accessed from Quaker Street. Watch the narrated video tour at www.GRElistings.com, then come to our open house **this Sunday, Sept. 21, 11 a.m. to 1 p.m.**

The Advantages

Tax-Free Cash Flow

The proceeds aren't considered income, so they don't affect your taxes.

Stay in Your Home

You can unlock equity while continuing to live in your home — no need to sell or downsize.

Non-Recourse Protection

You'll never owe more than your home's value. If the loan balance exceeds the home's worth, the FHA mortgage insurance covers it.

Flexible Options

Choose a lump sum, monthly payouts, or a line of credit depending on your needs.

Repayment Comes from the Home, Not Heirs

Heirs are never personally responsible for the balance. They can sell the property and keep any remaining proceeds, or if the balance exceeds the home's value, simply turn it over to FHA — no negative impact.

The Drawbacks

Equity Erosion

Interest and fees accumulate over time, which reduces the inheritance you can leave behind.

Upfront Costs

Closing costs, mortgage insurance, and origination fees reduce the cash you receive.

Ongoing Obligations

You are still required to pay property taxes, homeowners' insurance, HOA dues (if there is an HOA) and maintain the home. Fail to make those payments and you risk default.

Estate Planning Considerations

Think carefully about what you want to leave behind. If keeping the home in the family is important, talk with your children early. Use financial planning to estimate how much equity might remain after the reverse mortgage. Some families balance reduced home equity with retirement accounts or life insurance.

The Bottom Line

A reverse mortgage can be a useful tool for retirement: you get **tax-free cash**, stay in your home, and don't worry about monthly payments. For a Denver homeowner with a home valued at \$750,000 and a current loan

balance of \$175,000 a reverse mortgage would pay off the existing loan, give the homeowner a monthly "tenure payment" and access to a line of credit for future cash needs.

Thanks to FHA non-recourse rules, your heirs are protected. When it is time to sell the property, they either inherit any remaining proceeds or give the title to the property to FHA with no personal liability.

If you have been contemplating a reverse mortgage, I encourage you to call Jaxzann at **303-990-2992**. She would be happy to discuss your options with you — and your heirs, if you like. Done right, a reverse mortgage can help you enjoy retirement while still protecting your legacy.

I am currently short of gently used small and medium moving boxes & bubble wrap that I provide to clients. If you can spare any, please call me at 303-525-1851 to arrange for pickup.

Just Listed: 4-BR Ranch in Arvada's Wyndham Park

This home at **6060 Deframe Court** in Wyndham Park offers the convenience of main level living combined with some great features. It has been beautifully updated and is adjoined to a peaceful greenbelt. It features hardwood floors and vaulted ceilings with an open floor plan. The updated kitchen includes a dining area with a large bay window and a pantry. The adjacent family room features a gas fireplace and is open to a formal dining room. The primary suite includes a large walk-in closet and an updated bathroom with a 3'x5' shower, white shaker double vanity with quartz countertop, and a large linen closet. The main floor also has a 2nd bedroom/office and an updated full bathroom. In back is a landscaped yard and covered patio. Step down to a secluded south facing side yard along a private greenbelt. Downstairs is a fully finished basement with two bedrooms served by a Jack-and-Jill bathroom and daylight windows looking out on the greenbelt. There is plenty of storage space and a second family room that can be used as a home theater, game room or home gym. The main-floor laundry room has a sink, built-in cabinets with ample storage and serves as a mud room from the 2-car garage, which has additional storage space. This home is near parks, trails, ponds, and is walking distance to the YMCA. View a narrated video tour at www.GRElistings.com, then come to the open house **next Saturday from 11 to 1**, or call **Kathy Jonke at 303-990-7428** to request a private showing.



This Listing Has an Assumable Loan Under 3%



This 3-bed/4-bath home at **55 N. Coolidge St.** is on 2.28 acres in unincorporated Arapahoe County, a mile east of E-470 and a couple miles south of I-70. The subdivision is Thunderbird Estates. This is horse country, although this property has not been used for that. The seller bought the lot in 1981 but didn't build the home until 2001. It's a big home, with 6,079 square feet of above-grade finished space and a 6-car heated garage. The county assessor values the home over \$1.4M, but it needs updating and is priced accordingly. Best of all, the current VA loan of \$440,000 at 2.875% is assumable by any owner-occupant buyer. View more photos and my narrated video tour at www.GRElistings.com, then call 303-525-1851 to see it.

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