

For Homeowners Over 62, a Reverse Mortgage Could Address Some Financial Needs

Recently our agents and I received training on Home Equity Conversion Mortgages (HECM), better known as “reverse mortgages.” These loans can be taken out on your current home or used to purchase a new home. What makes them particularly attractive is how they can turn your home from an expense (if you have a mortgage currently) into a source of money for the rest of your life after age 62.

In a normal mortgage, you have monthly payments of PITI—principal plus interest plus taxes and insurance. With a reverse mortgage, the principal increases instead of decreases because the principal and interest is being drawn from the equity you have in your house.

If you have longevity in your genes and don't need to leave the value of your house to your heirs, this can be a good solution because no matter how long you live, as long as you continue to live in your house, you will never be “upside down.” The mortgage continues to be paid even after your equity is used up. When you die and the house is sold by the lender, any shortage in payoff is covered by the mortgage insurance which is built into the loan.

This scenario is not for everyone, but it has enough advantages that it is worth speaking with a reverse mortgage specialist who can study your financial situation and help you decide if a reverse mortgage is right for you.

We had such a specialist — Jim Spray of MilestoneMtg.net, dba The Mortgage Company — speak to us and answer such questions as:

Do You Know a Realtor Who Belongs at Golden Real Estate?

Golden Real Estate has a couple openings for Realtors with 2+ years of licensure who would be a good fit for our brokerage.

What's a “good fit”? We pride ourselves on our commitment to personal and corporate integrity and to modeling and promoting environmental responsibility. New members of our team have to be certified EcoBrokers or be willing to acquire that certification. They must have a personal commitment to these and other values for which we are known.

Broker associates at Golden Real Estate enjoy a better-than-typical commission split plus numerous free services. For starters, their listings are featured in this space, like the listing at left. Our listing agents get free showing service, free professional photography and narrated (by me) video tours, free websites, a smartphone app, enhancement on realtor.com and other websites, free use of our moving trucks for buyers and sellers, plus incentives.

If you know an ethical, successful Realtor looking to take their business to the next level, have them call Jim Smith at 303-525-1851.

What happens if both husband and wife are on the mortgage and one of them dies? The surviving spouse can stay in the house until he or she dies.

What if you go into assisted living?

Once all borrowers on the loan no longer live in the house, the loan must be paid. If there's still equity in the house, it can be listed and sold just like any other house, and the loan is paid off. If the equity has been exhausted and you're “under water,” then you deed the home over to the lender and walk away not owing anything.

What if a son or daughter wants to buy the house?

They can buy the house, with the loan paid off at closing, but if the house has negative equity, they can buy the house from the lender for 95% of its

appraised value, regardless of how large the principal had grown.

Are property taxes and insurance escrowed?

No, you must pay those directly, along with HOA dues.

Can you take cash out when you refinance with a reverse mortgage?

Yes, depending on your age, you can take out half or more of your home's appraised value when you refinance into a reverse mortgage. The older you are, the more you can take out, based on actuarial tables. That's why I say that if you have longevity in your genes, you could take out your

full equity in your home before you die and continue to live in the house until all borrowers die without making any mortgage payments again—just taxes, insurance and HOA dues.

Can I sell my house and downsize? You should do that before you take out a reverse mortgage. Sell your house now, buy your perfect “forever” home, and finance it with the reverse mortgage, putting down only the minimum down payment based on the actuarial tables. Keep the other proceeds from the sale of your current home as cash to spend, save or invest as you wish.

What about Social Security? As you know, you get a much higher Social Security payment if you wait until age 70 to start drawing it. Refinancing or purchasing with a reverse mortgage at age 62 could make it possible by lowering your living costs for you to wait until age 70 to start drawing Social Security.

What if my credit isn't very good? Unlike with a regular mortgage, credit is not a factor in approving a reverse mortgage, barring recent bankruptcy or other derogatory factors. You need only prove that you'll be able to keep paying the taxes, insurance and HOA fees (if any) on your home. Not doing so risks foreclosure.

You probably have many other questions. If I can't answer them for you, I'd be happy to connect you with Jim Spray or another reverse mortgage specialist.

REAL ESTATE TODAY



By JIM SMITH, Realtor®

This Week's Featured New Listing by Golden Real Estate

Home Is Close to Downtown Golden & School of Mines



\$695,000

This home at 1510 Quail Court is located in the Village at Mountain Ridge, that 1990's subdivision on the west side of Highway 93, backing to the Mt. Galbraith Open Space Park. One of that park's two trailheads originates just a short walk from this home. Less than 100 yards away is a second trail leading to a pedestrian bridge across Highway 93 to Mitchell Elementary School, Clear Creek, downtown Golden and the Colorado School of Mines. Two city parks are a short walk from this house, including White Ash Mine Park in the subdivision. That's why this neighborhood is home to a diverse collection of families, retirees, professors, and lovers of all that Colorado and Golden has to offer! As you'll see from viewing the video tour at www.MountainRidgeHome.com, this home has 4 bedrooms, 3½ baths, a large loft area, plus a spacious and open floor plan. In addition, it has a full unfinished basement offering any buyer lots of possibilities. Altogether, this home has 3,125 above-grade and 1,460 below-grade square feet, and a 644-square-foot garage. If you are seeking a fine home in a great Golden neighborhood, come to our open house **Saturday, Sept. 10, 11am-1pm**.



All Agents Are Certified EcoBrokers®

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