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The versatile reverse mortgage

By VIVIAN DYE, ATLANTIC RESIDENTIAL MORTGAGE

A few years ago, if I asked a group of friends, "Do you know what a reverse mortgage is?" I suspect only a small percentage would respond in the affirmative. Today, the opposite would undoubtedly be true. But I wonder how many would understand all the choices that are available to them today.

Senior homeowners face more difficult challenges with the financial pressures throughout the economy. Today there is wisdom in looking at ways in which home equity can be put to work. Reverse Mortgage loans were designed specifically for senior-aged homeowners to access the money that has built up over the years as equity.

Seniors (age 62+) obtain reverse mortgages for many reasons, but the most important is that a reverse mortgage makes it possible for people to stay in their own home at a time when the cost of living is getting higher and higher. Other reasons include paying property taxes or medical and prescription costs; paying off a current mortgage; making home repairs; assisting relatives; traveling or just enjoying life a bit more.

Today the reverse mortgage world provides a number of options.

For the homeowner who wants to use a reverse mortgage to stay in their homes, there are now Federal Housing Administration (FHA) loans which currently cap the appraised value of your home at \$625,500 and non-FHA jumbo loans which are for higher valued homes.

The FHA loans are the Home Equity Conversion Mortgages (HECM) and can be obtained either as a variable rate loan or a fixed rate loan.

How would you like to receive your funds? If you elect a variable rate depend-

ing on your needs and qualifications you can receive your funds in a lump-sum distribution, line of credit, monthly disbursements paid to you, or any combination of these methods.

Monthly methods can be term or tenure and that decision can make a sufficient difference in monthly income to require understanding the alternatives.

Unless you have selected a fixed rate plan, you can change payment plans as frequently as you wish for a very small fee. If you elect a fixed rate, you will be receiving all your available funds in a lump-sum distribution and interest starts accruing on the total loan balance immediately.

A new choice: And very recently announced, there is the new "HECM Saver," which is a low cost reverse mortgage product insured by the FHA. The HECM Saver offers borrowers the option of obtaining less money than the standard HECM product but with lower closing costs. It lowers the upfront loan closing costs by reducing the required upfront Mortgage Insurance Premium (MIP). It will provide all payment options.

Did you know that you can use a reverse mortgage to purchase a new primary residence? If a senior wants to downsize, upgrade or just make a change, a reverse mortgage for purchase can help make that happen.

There are two pieces to the purchase transaction: (1) the amount of money available through the reverse mortgage and (2) the remaining dollar investment the homeowner brings to purchase the home. You are required to make a monetary investment with your own funds (most often from the sale of an existing residence) and the HECM is used for the remainder of the purchase.

This could enable you to make your move without having to tap into your

savings and potentially have extra cash when the purchase is complete. There are now also non-HECM jumbo reverse mortgage loans for higher valued homes that are also available for primary residence home purchases.

What should I know about the new jumbo loans? A new reverse mortgage is available once again for seniors who own higher valued homes.

It is a fixed-rate loan that is available as a one-time payment to you and contains provisions to help you tailor the loan to your specific needs.

This can be used both to help you stay in your home more comfortably as well as to refinance your existing reverse mortgage or purchase a new single family residence or PUD as your primary residence.

As you can see, there are a number of decisions that need to be made when you are considering a reverse mortgage, for example: What matters most in your situation: rate? Highest dollar amount? Lowest upfront costs? If you want monthly payments do you want them "forever" versus a specified period of time? Should you be including a line of credit? The good news is that all these questions mean that you have choices to tailor this to suit you best.

Clearly a reverse mortgage deserves serious consideration as a way to provide financial flexibility and today there are a variety of options available. A first step would be a discussion with a trusted mortgage professional to better understand your choices. This is in addition to any other advice you have chosen to see from your accountant, lawyer, financial planner or children. A reverse mortgage is a way to have your home equity contribute to your retirement planning.

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