

IS A REVERSE MORTGAGE RIGHT FOR YOU?



By Galen Call, CRMP

The HECM (Home Equity Conversion Mortgage, aka reverse mortgage) is the trending instrument in a retirement planning tool box. Financial advisors are discussing the viability of using the reverse mortgage to supplement current cash flow with a tenure payment, or if the choice is to delay retirement until later to maximize lifetime Social Security Benefits, a reverse mortgage option can allow for that goal to actualize. Other ideas include the desire to preserve and enable retirement funds to last longer by accessing home equity with a reverse mortgage line of credit.

A common usage is to pay off a conventional mortgage to eliminate monthly mortgage payments, thus providing the ability to retire without that added cost and stress.

Another wise use of the HECM is to create a line of credit in order to establish a safety net to access in the future if needed. Emergencies, health care needs or home repairs can blindsides older homeowners when they least expect it.

The earlier a line of credit is created (minimum age 62) the larger it grows for future use. The growth rate is unique to this loan and not found with a traditional home equity line of credit. For example, say a 62-year-old borrower whose home is free and clear qualifies for a credit line of \$319,000. If allowed to grow with no withdrawals, that line will grow to \$590,000 in 10 years. In 20 years, assuming that person still lives in his or her primary residence, the funds available would be \$1,089,000. Anyone would agree that this type of financial security is a tremendous asset in the overall portfolio.

Simply put, the HECM is not the loan of last resort. Yes, it accommodates those whose situations dictate debt relief as well as cash flow needs. But the new HECM is robust and worthy of full examination to determine if it is the right option for comprehensive retirement planning. Education is the key and consultation with a certified reverse mortgage professional (CRMP) is the best solution to that education.

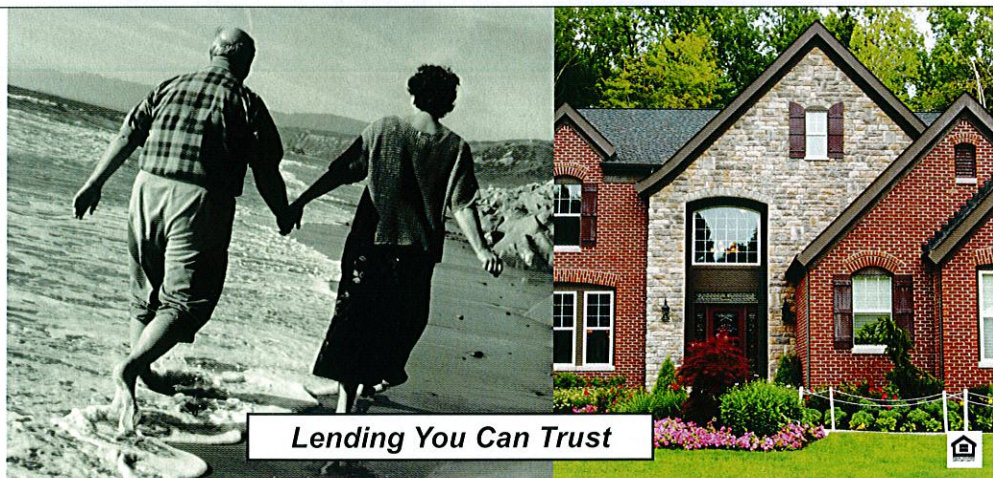
Galen Call originates reverse mortgages through the Reverse Mortgage Division of Treehouse Mortgage Group in Monterey. She can be reached at (831) 645-1160.



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