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THIS MONTH'S TOPIC:

Considering a Reverse Mortgage?

The slow economy has been difficult on many retirees living on a fixed income. Continued low interest on fixed investments, such as CDs, and uncertain stock market returns, coupled with the rising cost of living has many retirees considering a reverse mortgage as a way to make ends meet, and to continue to support their retirement lifestyle. A person's home is often a significant financial asset.

The concept of a reverse mortgage is simple. In a traditional mortgage, the homeowner makes payments to a financial institution, which increases equity and decreases the amount owed on the home. A reverse mortgage is the exact opposite. The financial institution makes payments to the homeowner on a regular basis, decreasing equity and increasing the amount owed on the home. The advantage of a reverse mortgage is that it provides the homeowner with additional income to cover monthly living expenses or support his or her retirement lifestyle.

A reverse mortgage is a good choice for some...

If you are considering a reverse mortgage, information is key to determining whether a reverse mortgage is the right choice for your situation.

It is important to understand a reverse mortgage is a loan. To qualify, you must:

- Be at least 62 years of age
- Own or have a significant amount of equity in the home
- Live in the home as your principal residence
- Not have another loan on the property (or being willing/able to pay it off shortly)
- There can be no liens on the home, such as back taxes
- Prior to receiving a reverse mortgage, you are also required to meet with an approved counselor.

Interest is charged on the outstanding loan balance every month. However, the reverse mortgage does not have to be repaid while the borrower is living in and maintaining the home. The loan must be repaid when the last living borrower dies, or when the borrower rents or sells the home, permanently moves away, takes new debt on the home, or adds a new owner to the title of the home.

As with any other loan, if you choose to take a reverse mortgage on your home, you remain the homeowner and are responsible for all property taxes, insurance, and repairs to the home. Many reverse mortgages contain a clause stating that if you fail to maintain your home, the loan will come due early, meaning you owe the full loan amount plus all interest.

A reverse mortgage is a good choice for some, but it is not designed for everyone. Typically, if someone is interested in passing the family home on as part of his or her estate, a reverse mortgage is often not a good option. Also, be certain to consider the long-term consequences for a couple if only one spouse's name is on the loan. The loan will be due when the borrower passes away, regardless if the other spouse is still living in the home.

A reverse mortgage is the same as any other legal document; be certain to clearly read and understand any paperwork that you are signing. Do not feel pressured or rushed to make a decision. You want to be comfortable with your lender and develop a list of questions for both the lender and the financial counselor. Be certain to include questions regarding upfront and ongoing fees to your list. If you have additional concerns seek additional insight and information from other family members and industry professionals.

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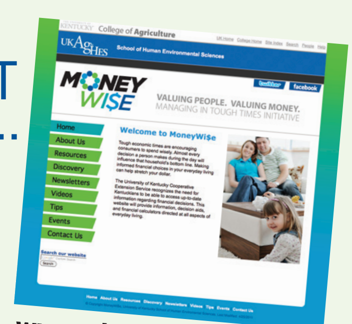

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