



Is a reverse MORTGAGE RIGHT FOR YOU?

When considering a reverse mortgage, always weigh both the pros and cons.

by Kathy Oxborrow, for *The Bulletin Special Projects*

You've probably heard about reverse mortgages, the ability of homeowners to cash out a percentage of the equity in their homes once they reach age 62 and make no further payments as long as they continue to live on the property.

You may have also heard reverse mortgages are good options for seniors, or you may have received information telling you to be leery of such transactions.

If you're considering a reverse mortgage, you must first receive counseling to help you decide if it is the right path for you. Counseling is a requirement by the U.S. Department of Housing and Urban Development (HUD) before you can receive a reverse mortgage.

"We counsel people to give them options," said Selef Spragg, housing center manager at NeighborImpact, and a certified HUD counselor. "HUD wants to make sure that people are getting information that is not biased one way or the other and that the person truly understands how this will affect them in the future."

Once homeowners receive counseling, it's up to them to decide.

On the pro side, one of the benefits of a reverse mortgage is that you never have to make another mortgage payment. You have a free place to live as long as you pay your property taxes and mortgage insurance and maintain the property.

“Some people just want to live the remainder of their golden years together and not worry about a payment, or they want to have a few extra bucks to go on vacation.”

Another advantage is that you have a chunk of money that you can use any way you wish. You can take the payment in one lump sum or use it as a line of credit, using it as needed.

“Some people just want to live the remainder of their golden years together and not worry about a payment, or they want to have a few extra bucks to go on a

vacation,” said Spragg.

A reverse mortgage can put a little extra cash in your pocket so you can enjoy activities in which you might not otherwise participate during your retirement years.

The disadvantages includes the possibility of going through the money too fast.

“If you need to go to a retirement home, you may not be able to do

that if you’ve used up all your money and social security isn’t going to pay enough,” said Spragg.

Or if you don’t have enough money to pay taxes and insurance, you are at risk of defaulting on your loan agreement.

A reverse mortgage is a loan to you that is paid back to the lender either when they resume ownership of the property after you die or your heirs take out a new loan in order to keep the property.

Another drawback is you don’t have property to leave to your heirs. Spragg said this is usually not a problem for heirs who generally want their family members to do what is best for them.

Because you have to live on the property for six months and one day of the year, extended traveling is not an option. You can’t spend seven months in your motor home touring or visiting your children and grandchildren who live in another area.

There’s not any right or wrong



decision when it comes to reverse mortgages. It just depends on each homeowner’s situation. Receiving the mandated counseling ensures that you can make the right decision for you.

Spragg said about 75 percent of the homeowners he counsels end up getting a reverse mortgage.



REVERSE MORTGAGE COUNSELING: NeighborImpact, a Central Oregon nonprofit agency, provides neutral, third-party counseling sessions to educate people 62 years and older about the pros and cons of a reverse mortgage. Contact them at 541-316-2038 or homeownership@neighborimpact.org.



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