

## Darryn Murdoch LCSW, *Wells Fargo Home Mortgage*

### “Using Reverse Mortgages as an Estate Planning tool”

- For Seniors
- You can use reverse mortgages for purchasing a home too
- 62 old older? You can excess equity
  - Federal Loan – Tax free dollars
  - They don’t have to pay anything back as long as they are alive
    - If they move? Or sell? Or die?
      - The loan is due to be paid.
- **This does not affect Social security, pensions, or Medicare benefits! Or any other Fed program**
- Also does not affect freezes
- Does not put money down as income for tax purposes
- **Credit Score’s do not matter! And no income requirement**
- **Eligibility**
  - 62 years old
    - 1 spouse is under 62? Buy Life insurance on older spouse to pay mortgage
  - Primary residence
  - Complete educational counseling

- Seniors who are in trouble financial want peace of mind
- You want substance, not just the most money right now.
- Some people use reverse mortgages to pay off the current mortgage

- Improves cash flow
- Pay for life insurance
- Use for second home

- Interest Rate
  - Variable – 2.73%
  - Earnings are always 50 basis points higher = - 3.23

- If you owe more than the value of the home

- **Life Estate**

- Sell home to someone you really trust
  - I get full right to live there during my lifetime
- Creditor’s can put a lien on property because someone else owns it

- Also use reverse mortgages to fund 529 Plans
- Use it for home improvements
- It’s a safe time now to get into reverse mortgages for both people and banks.
- \$625,000 is the highest home value to get a reverse mortgage due to the economic stimulus

| Example        |               |
|----------------|---------------|
| Age            | 75            |
| Home Value     | \$ 400,000.00 |
| Expected Rate  | 6%            |
| Line of Credit | \$ 222,813.00 |
| Monthly Tenure | \$ 1,556.00   |
| Term 7 Yr      | \$ 3,000.00   |

| Closing Costs   |    |
|-----------------|----|
| Origination Fee | 2% |
| Mortgage Ins    | 2% |
| Other           | 1% |