

Look Over Your Shoulder When You Put It In Reverse!

It's finally time! Today's the day, and you can hardly wait to get there. You open the garage door and climb into your car. Settling behind the wheel, you fasten your seat belt and start 'er up. You're excited and anxious to get going, but you also want to be safe. So you keep your foot on the brake while you take a quick look in your mirrors. All clear. You almost hit the gas, but then you remember to take a final look over your shoulder...and you see the neighbor kid darting across your driveway. Thank goodness you took the time to look over your shoulder, to make that one last safety check!

Which is *exactly* what you should do if you or your parents or grandparents are thinking of taking out a reverse mortgage. If you're young, you may not have even heard of a reverse mortgage. If you're retired, you probably get sales come-ons regularly. And boy, they can sure sound good to someone who's worried about running out of money!

So what is a reverse mortgage? It's a way to tap into the equity of your home without having to sell it. You can choose to get a lump sum, monthly payments for life, a line of credit, or a combination. But unlike a regular mortgage where the amount you owe goes *down* as you *make* payments, a reverse mortgage balance goes *up* as you *get* payments.

You generally don't have to repay a reverse mortgage as long as you or any co-owners continue to live in your house. When you die, the house is sold and the mortgage repaid. If your mortgage balance is greater than the value of your home, the lender eats the difference. If there's extra? It goes to your heirs.

It gets better. Qualifying for a reverse mortgage is pretty easy. It doesn't matter what

your income is or your credit score. The whole thing is based on the value of your home and the ages of you and any co-owners.

Sounds like a pretty cool deal, doesn't it? Especially if you're living on a fixed income and money is tight. Maybe you've got a credit card or two that you just can't seem to get paid off. Maybe you just want to take that trip while you're still able or just live a little better after so many years of working hard and scrimping and saving.

So you're excited, can't wait to get those monthly payments started. The answer to

Will they make the right decision?

Even if you're way too young to consider a reverse mortgage (you generally have to be at least 62), your parents or grandparents may be looking at one right now. Will they have the financial knowledge to make the right choice?

your prayers is almost here! But wait...did you check your mirrors? Have you looked over your shoulder? Are you keeping your foot firmly on the brake until you're absolutely sure it's safe to proceed? If not, take a moment and make sure you fully understand the deal and that it's right for you.

Keep your foot on the brake, firmly on the brake, until you're *absolutely* sure that a reverse mortgage makes sense for you.

Reverse mortgages have high fees, including a big, fat loan origination fee for the person who sells it to you. That's right...the person that's giving you all your information, answering all your questions, gets a big payday if you bite.

When you add in all of the other up-front fees, it can cost you more than 10% of the loan amount. You won't get that back if you change your mind three months after you've signed the papers so take your time to comparison shop and think things through.

Check your mirrors—all of them...rear view, side view...even the ones on your visors. You must thoroughly check out all of your other op-

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cont'd from Budget Guy

tions before pulling the trigger on a reverse mortgage.

A reverse mortgage should be your last choice, especially if you don't need a large amount or think you might be moving in a few years. A home equity line of credit or home improvement loan might make more sense, for example, or maybe you'd be better off freeing up some of your home equity by selling your house and buying something cheaper.

Selling your house and moving. Now that's a big decision that you may be trying to avoid. Going forward with a reverse mortgage might seem much easier, but it's really a big decision, too. In fact, one of the best ways to really evaluate a reverse mortgage is to compare it to selling your home and buying or renting something else.

Keep in mind that using up your home equity in a reverse mortgage now means there will be less available to you later when you might need it more. If you don't currently have a significant financial emergency, then now probably isn't the right time to consider a reverse mortgage.

Look over your shoulder to make sure you haven't missed anything. By law you have to meet with a counselor before you take out a reverse mortgage. But like most things, some counselors are better than others. Don't take it for granted that any particular counselor is giving you complete and accurate advice.

And don't deal with anyone who is trying to sell you something and recommending you use a reverse mortgage to pay for it. A reverse mortgage should be used to meet a current fi-

ancial emergency, not to buy something new. Like an annuity.

That seems to be the hot thing many sales people are pushing right now - take out a reverse mortgage and use the proceeds to buy an annuity. Can you guess why it's hot? Because when you buy an annuity, the sales person gets a big commission. Put that together with a loan origination fee for a reverse mortgage and you have one very exciting payday for that sales person!

Which might well be okay if the resulting package benefited you. Unfortunately, it would have to be one whale of an annuity, the likes of which I have never seen, for the value of the annuity to ever equal, let alone exceed, the debt you will have under the reverse mortgage. (Yeah, I know...they've got exhibits to show otherwise. Choose the right assumptions and you can "prove" pretty much anything.)

So if you're tempted by the ads for reverse mortgages, or if you know someone who might be, keep your foot on the brake while you check the mirrors and look over your shoulder. And if you want to be doubly sure, you might also stop, look and listen before you make tracks to a reverse mortgage. After all, you wouldn't want your train of thought, and your financial future, to be derailed!

I'm here to help you improve your financial life. It's free and confidential. Just call the Budget Guy, Allen Gunter, at 301-1246, or send an email to BudgetGuy@shpc.org.

For a wonderful look at what the Bible says about money, check out the Crown Financial Ministries Small Study Groups. Contact Chris Gordon (484-1905; cgordon1@austin.rr.com) or Roger Wade (301-4921; rcwactuary@austin.rr.com) for more information.

MEXICO MISSION



Mexico Mission debriefing and reunion :: July 6th, 6 p.m.

Come join us for a pot-luck dinner at SHPC for all Mexico Mission team members, and anyone else who would like to come and hear more about the program! We'll visit about what was accomplished this summer, and talk about plans for next year. Bring a covered dish—food for yourself and some to share—and we'll enjoy each other's company and trade photos.

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