

# REVERSE MORTGAGE - *Continued from Page 10*

3. You retain the ownership in your home. If for any reason you have to move back to your country you will still have a home to move into. I've heard too many stories of expats that for one reason or another moved back home and had to start all over. We all know that real estate prices keep going up regardless of where you are from. After five or ten years of living in Thailand, moving back and having to purchase a home at a higher price could be prohibitive. With a reverse mortgage you will still have your home, with its increased value do to appreciation and inflation, and you can continue using your reverse mortgage if need be.

Let's look at the qualifications and considerations.

A. In the USA you have to be 62 years of age or older. Check with your banker in your country to see what age restrictions they may have.

B. You must own a home.

C. You must have substantial equity in it to make it worthwhile. If you own your home free and clear you are a perfect candidate for a reverse mortgage. Typically, the older the person and the more valuable their property, the bigger the reverse mortgage can be. If you only have about 25% equity, read no further. It won't help you.

D. Your home may need to meet certain standards of livability and repair. You will also be required to maintain the property to continue to qualify for the income you derive from it.

E. In the USA for year 2005, rural homes have a top limit on the total line of credit of \$172,632 and metropolitan homes a cap of \$312,895. If you are seeking the upper limit, check with your banker in your country. Also, in the USA there are reverse mortgages under federal guaranteed loans through the Department of Housing and Urban Development (HUD) as well as State and local low-cost programs. Ask about every program available to see which is the most beneficial to you.

F. Ask if you are required to live in your home or if you can obtain a reverse mortgage on a rental property. They may tell you they do not write reverse mortgages

on rental property. However, if the house is your personal home and they say you have to live in the home remember this; no bank or mortgage paper can force you to live in your home. Nobody knows what the future brings. There can always be changes in your life that take you away from your home and financial institutions cannot make you sell it if you have to rent it out. If living in your home is a requirement, plan ahead. You may need to live in the home for six months to a year to indicate that is your intention, but if circumstances lead you to desire a retirement in Thailand then that's just the way it is. Rent the house out. It is none of the banks business as long as you maintain it. Now you not only have the money coming in from the reverse mortgage, you also have the rent money coming in. Feeling rich yet?

Just remember that every country, lending institution, and loan program will have different requirements. I do caution you to make sure about any rental or non-rental provisions in the reverse mortgage programs you look at. It may be possible in some cases they can stop releasing funds from your reverse mortgage if you are receiving rent from the property. Check all the fine print.

G. Also make sure there are no clauses saying they can stop releasing funds if you live outside the country. There should be no reason for this, but bank requirements don't always make sense. There may be country limits on this as well. England, as an example, doesn't want their citizens who move overseas to be able to come back and receive medical cost benefits they earned while working in their own country. They also stop the addition of cost of living increases on pensions paid to expats. It's not right, but that is government for you. Check out everything before you take out a reverse mortgage so you don't suffer stress and aggravation later on.

H. Check out the total cost of the reverse mortgage. Fees and expenses can be high in some cases. This is irrelevant if overall the program benefits your enjoyment of your retirement. But if you take out a reverse mortgage and only plan on keeping or living in the property for a few more years it is a bad financial move. To benefit from this is a long term commitment.

## How it works:

With a traditional mortgage, each month you have to pay the bank principal and interest. With a reverse mortgage your home pays you, either in a lump sum, a fixed monthly income payment to you, a line of credit you can draw from, or a combination of the three.

In the USA the money is tax free because it is your money. How much you will receive depends on your age (the older the better), interest rates, the value of your home, and any existing mortgages or other liens or encumbrances that effect the amount of available value.

To obtain a reverse mortgage, your home must be free of any existing first mortgage because the reverse mortgage must be in the first position of any claims against the property. If you still have a first or second mortgage on the property, and they are not of such a high amount that your equity is too low to qualify for the reverse mortgage, no problem. Your reverse mortgage first pays these mortgages off, thereby ending your house payment(s), and the remainder of the value of your reverse mortgage is now paid to you in one or more of the manners stated above.

Think of the possibilities. Let's say your home is in a metropolitan area and appraises at \$325,000.

If you are 65 years old you can obtain a credit line of \$153,498 or monthly advances of \$882 per month. That's a tidy sum of extra monthly cash here in Thailand.

If you are 70 the credit line increases to \$165,100 and \$997 per month, and at 75 it goes up to \$177,807 and \$1,152 per month. Even if you are 80 you can qualify for a credit line of \$190,809 and \$1,372 per month. The older you are, the more you can get. Obviously they assume you have fewer years to spend it so you get more. At least now you know there is something positive about being older. Keep in mind, this example is using the credit line caps of a HUD insured loan. If you have a higher value home and obtain a reverse mortgage from a private lender your reverse mortgage could yield you a higher amount than stated above.

Let's say you want to purchase a condo or home here plus want extra cash with which to enjoy retirement. Let's say the residence you wish to purchase here costs two million