

THE TREND!

California

Median Price-SFH	Date
\$286,010	03/11
\$271,320	02/11
\$300,900	03/10

Sales change Prior Month 5.4%

Sales change Prior Year -4.9

Sacramento

Median Price - SFH	Date
\$168,250	03/11
\$168,800	02/11
\$183,330	03/10

Sales change Prior Month -0.3%

Sales change Prior Year -8.2%

Source C.A.R Research Dept.

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Next Issue:

Cash for Keys.. What are the options?

Reverse Mortgage, what is that?

In the high priced days of the real estate market, most people were able to take advantage of reverse mortgages, so those who can still take advantage of this option should be elated.

What is Reverse Mortgage? A reverse mortgage enables homeowners age 62 and older to convert their home equity into income, without having to sell the home or give up title. The applicants do not make any monthly mortgage payments while still living in the home. Mortgage proceeds are tax-free and may be tax-deductible upon loan repayment.

The proceeds from a reverse mortgage could be tended in several ways, including;

- ◆ Lump Sum Payment to the borrower of all or some of the money due.
- ◆ Line of Credit, available for future use.
- ◆ Monthly Payments for as long as the borrower is alive.
- ◆ A combination of the above options.

A reverse mortgage is based broadly on two main factors; the age of the homeowners and the value and location of the home. The older the homeowner and the greater the equity, the more proceeds

is derived by the homeowner through a reverse mortgage loan. The loan is repaid when the borrower permanently vacates the home, and the loan may never exceed the appraised value of the home.. The borrower repays the principal, accrued interest and any financed costs

Uses of Reverse Mortgage

Generally, seniors can use the proceeds for various reasons, including the following;

- ◆ It can be used by seniors who do not have enough income to make regular mortgage payments.
- ◆ Seniors who do not wish to make mortgage payments, or would like to eliminate monthly mortgage payment obligation.
- ◆ Those who are finding out that traditional retirement income sources (IRAs, pensions, 401(k)s, Social Security) aren't sufficient to cover everyday living expenses and healthcare needs.
- ◆ A high percentage (67%) of the proceeds are used to compensate the expenditure on hospital/health care cost.
- ◆ Another 55% of the proceeds are used for repayment of existing mortgages.

Duties of Borrower

The responsibilities of the borrower is to maintain the property taxes and insurance payments current. They are also required to maintain the property in reasonable condition.

Protection of Mortgage

- ◆ These mortgages are Non-Recourse loans (borrower cannot owe more than the appraised value of the home at repayment time).
- ◆ Advance Loan Disclosures and Loan Illustrations are provided at time of application.
- ◆ Counseling is also required for all applicants, provided by HUD, AARP and other reputable organizations.

Reverse Mortgage Myths

Myth #1 "I can be thrown out of my house" or "The Lender will take my home". False, homeowner can stay in home until a loan maturing event occurs. Homeowners retain title to the home throughout the loan period.

Myth #2 "I can owe more than my home is worth" False, homeowner can never owe more than the appraised value of the home at the time the loan is paid off.

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