# How to Convert Home Equity to Cash with NO CLOSING COSTS, While Still Living in Your Home

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**Helping Seniors Increase Income and Protect Assets**

EQUAL HOUSING LENDER

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***Many seniors do not realize they can convert their home equity into spendable cash without selling and moving from their home.***

Now you can use the Home Equity Conversion process to turn home equity into cash or income.

This is a government backed program for all seniors age 62 or older who live in a home with no other qualifications.

Let your home pay you a monthly dividend so you can enjoy life more. Use your dividend to fix up the house, take a trip or simply buy the grandchildren what they want for Christmas.

Use dividend income to:

- Supplement retirement income
- Make house repairs
- Pay off an existing mortgage or other debt and cease monthly payments
- Enhance enjoyment of life such as trips, furnishings, a new car
- Take advantage of investment opportunities
- Help relatives, including grandchildren
- Pay for a spouse in a nursing home, get in-home care, or obtain long term care insurance

We help seniors create more income to live the life they want to and have all the money they need.

## *Are home equity conversions considered taxable income?*

Cash advances are not income. They do not affect your Social Security, Medicare benefits, or increase income taxes. Interest is not deductible until paid but could be affect eligibility for Supplemental Social Security income and Medicaid.

## *What qualifications are necessary?*

To qualify you must be age 62 or older, own and occupy a principal residence. There is no minimum or maximum income or assets requirement.

## *Does your house have to be paid for to qualify?*

In order to qualify for a Home Equity Conversion, your home must be debt free.

However, you can use the proceeds from a Home Equity Conversion to pay off a mortgage and then receive an additional cash advance, credit line or both.

## *Can you get forced out of your home?*

The FHA Home Equity Conversion was created specifically to allow seniors to live in their home for the rest of their lives. Because you receive payments from a Home Equity Conversion instead of making payments, you can never be evicted or foreclosed on for non-payment.

## Can I be forced to sell my property if market values decline or be forced to stop receiving income?

As long as you continue to occupy the property as your principal residence, you cannot be forced to sell.

## Can you outlive the Home Equity Conversion?

No, the Home Equity Conversion becomes due when all homeowners have permanently moved out of the property or passed away. There is no time limit.

## Do you give up ownership of your home?

A home equity conversion is a loan without monthly repayments against your home value. You retain title to your home and are responsible for taxes, maintenance, and repairs.

When the loan is over, you or your heirs repay all of the cash advances with the sale of your home.

## What are the costs involved with a Home Equity Conversion?

Most lenders have closing costs financed into your loan. These may include an origination fee, title insurance, appraisal, a mortgage insurance premium, and attorney fees.

## How can a Home Equity conversion be used?

People will consider a conversion for a variety of reasons. When someone goes into retirement they are usually on a fixed income. Soon however, inflation increases the money we need to pay the bills and sometimes retirees may have a medical emergency and need a large amount of assets immediately.

The important issue is to first determine the cost of using certain assets. The ability to convert assets to income or to pay bills is influenced by several factors.

For example, suppose you enter retirement with your house paid for and have a sizeable IRA. If the market is down and you take money out of your IRA, you will lose principal, and to make matters worse the IRS will take their share through taxes.

A lot of people are just looking for a way to access money at a low cost and leave other assets alone while remaining in their home for as long as they can. Many people would like to preserve other assets from taxes or principal loss for their children by using home equity for living expenses.
This may be a good strategy to maximize future assets. Seniors also use home equity conversions as an alternative to purchasing and paying premiums for long term care insurance.

## What happens if I move?

Whatever your reason, you have the right to move out of your house anytime you want.
However, keep in mind that when you decide to permanently move out, you must repay your Home Equity Conversion.

## What happens if only one homeowner is eligible?

Sometimes a couple will hear about a Home Equity Conversion Plan and want to start right away.
Technically, as long as one person in the household is eligible, 62 or older, that person can go ahead.

Let's say you have a couple: one is 59, the other is 63. They own their own home, but only one qualifies. The younger (59) has to be removed from the title, but you may want to think about that before proceeding.

Keep in mind, there are certain situations where this does make some economic sense.

## *What are the repayment requirements?*

The appeal of Home Equity Conversion is that you do not have to make monthly payments to repay the loan. Home Equity Conversion does not have a pre-determined maturity date, as do conventional mortgages; (For example, a 30-year fixed-rate mortgage that must be repaid at some point; it is just the maturity date that depends on you.)

Most Home Equity Conversions do not need to be repaid until:

- The last surviving borrower dies
- The last surviving borrower sells the home or stops using it as a primary residence
- The borrower defaults or triggers the acceleration clause under the loan agreement

When the loan does become due and payable, the entire loan balance must be paid off in full with no penalty. Most borrowers or their heirs sell the home to repay the loan.

It is possible, however, to repay the loan with other funds. For example, a child may sell his or her own home to pay off the parents' Home Equity Conversion in order to keep the family home.

You need to carefully review the loan agreement for all of the conditions that make your loan due and payable, but fairly standard conditions of default or causes for acceleration include:

- Failing to pay property taxes
- Failing to insure or maintain the home
- Declaring bankruptcy
- Taking out a new debt against your home
- Donating your home to charity
- Adding a new owner to your home's title

- Having the home impinged on by government action such as eminent domain, condemnation, or zoning reclassification
- Committing fraud or making a misrepresentation

## *Common Mistakes Seniors Make:*

## *Mistake # 1*

An intervivos, or living trust isn't a necessity for getting a Home Equity Conversion, but it can save a lot of headaches down the road if you and your children have one in place. Living trusts can be constructed so that seniors have complete control over their own affairs, including their Home Equity Conversion, until the day they can't mange real estate and financial responsibilities on their own. We talk about living trust as an alternative to adult children getting durable power of attorney.

However, anyone can benefit from having a living trust, and Home Equity Conversion borrowers may find that they feel more secure in getting a loan knowing that someone who loves them is there to take over if they should become mentally incapacitated.

The process of getting a living trust is fairly simple since you hire a lawyer to do it for you. Anything is easy when you pay someone else to do it! You can set the terms in whatever way you're comfortable. A living trust means you're involved in the proceedings, so you have a say in who gets the honor of managing your real estate if you are no longer able to make decisions. By failing to establish a living trust, you're leaving yourself (and your family) open to a whole host of potentially big problems.

## *Mistake # 2*

Public assistance: Many people think of public assistance as a negative, and would often rather protect their pride than get the help they need. Don't be one of those people. Public assistance is nothing to be ashamed of, and can give you all kinds of breaks on daily expenses. There are meal delivery programs for those who can't cook anymore (whether it is due to inadequate funds or mobility), prescription drug benefits, medical assistance, transportation for those who can't drive, in-home helpers, and many, many more opportunities for help. Several resources aren't being utilized by enough people. You've paid for these public assistance programs through taxes all your working life. This is the time to reap the benefits of your own tax dollars.

A great resource for all types of help is the Area Agency on Aging. They can give you information about some of the options listed here, plus energy reduced bills, tax support, and more. (Contact them at 800-677-1116 or online at www.eldercare.gov. Another great resource is a Web site called www.BenefitsCheckup.org.) BenefitsCheckup is sponsored by the National Council on the Aging and works by creating a profile of you and your needs and matching it to all the programs out there that may be able to help you. All you have to do is fill out a questionnaire and let the Web site do the work. Your results will include information about each organization and how to contact them to apply for benefits.