

SUZE ORMAN

THE ULTIMATE PROTECTION PORTFOLIO™

Home-Ownership Records

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Published and distributed in the United States by Hay House, Inc., P.O. Box 5100, Carlsbad, CA 92018-5100 • *Phone:* (760) 431-7695 or (800) 654-5126 • *Fax:* (760) 431-6948 or (800) 650-5115 • www.hayhouse.com®

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ISBN 13: 978-1-4019-0345-9

ISBN 1-4019-0345-2

1st edition, November 2003

9th edition, January 2019

Home-Ownership Records

Please locate and collect the documents listed in the “Home-Ownership Records Checklist” below and file each document in your Protection Portfolio. Once a document has been filed, check it off on the printed checklist on your file folder.

HOME-OWNERSHIP RECORDS CHECKLIST

- Deeds
- Promissory notes
- Property co-ownership agreement
- Homeowners insurance
- Copy of land survey
- Copy of title policy
- Most recent property-tax bill
- Appraisals and evaluation of valuable items such as jewelry, art, and antiques
- Fire and flood insurance
- Copy of property list in case of loss

Your home is one of your family's most significant resources—both emotionally and financially—so you need to do everything you can to protect it. In order to plan ahead as well as possible, please read the following information and make sure that all your important home-ownership documents, including deeds, mortgages and other promissory notes, and insurance policies are safely filed in your Protection Portfolio.

First Steps Toward Buying a Home

There's no question that a home of your own is one of the linchpins of financial and emotional security: For most people, it's probably their most valuable asset. If you don't yet have one, it's an asset you almost certainly want. I believe with all my heart and soul that everyone deserves his or her own home.

Once you start thinking about owning a piece of real estate, it can become an all-consuming passion. Yet it's the initial excitement about buying a home that causes most people to make their first mistake. Before figuring out what they can afford, they check listings online, hit the open house showings, fall in love with a home, and, before setting a budget, they have their hearts set on a home. This is the usual sequence—and, if you allow yourself to follow it, you can find yourself in over your head.

Calculate the Mortgage That You Can Afford

Your mortgage payment may be the highest known expense you'll carry in your lifetime, and you want to know that it's within your ability to pay it. In fact, ideally, you want to be able to pay it down faster than required. I urge you do the following exercise *before* you fall in love with a house that you just might not be able to afford, or before you talk yourself

into buying something you may not be able to comfortably pay for. You can also use the calculator included in this section of the Must Have Documents Website.

Exercise: How Much Can You Afford to Spend on Monthly Mortgage Payments?

1. Calculate your current net monthly income after taxes, Social Security contributions, retirement contributions, and all other automatic withdrawals from your paycheck. Write that figure here:
Figure 1 _____
2. Total the monthly payments on all your debts—include car payments, credit-card payments, personal loans, and student loans (but don't include mortgage payments or rent.) Be honest! Write the total here:
Figure 2 _____

If Figure 2 equals more than 30 percent of Figure 1, stop right here (multiply Figure 1 by 0.3 to get 30 percent). You're not currently in a financial position to own a home comfortably. You must first reduce your debt.

3. Find the sum that represents your monthly living expenses (you can use the "My Monthly Expenses" chart in the "Credit: Cards, Records, and Debt" booklet to figure this out). Include food, transportation, gasoline, haircuts, medical and dental costs, education, utilities, insurance—in other words, any regular bills that you pay. Be sure to exclude the amount of your current rent or mortgage payments, but include your debt payments (Figure 2). Write that figure here:
Figure 3 _____

4. Subtract Figure 3 from Figure 1. Write the result here:
Figure 4 _____

Figure 4 is the maximum monthly amount you can currently afford to spend on a mortgage payment plus property taxes, homeowners insurance, maintenance, possible PMI costs, and the other hidden costs of home ownership.

5. Subtract 35 percent from Figure 4 (multiply figure 4 by 0.35 to get 35 percent). Write the result here:
Figure 5 _____

Figure 5 is the highest comfortable monthly amount you can currently afford for a mortgage payment alone. The rest of the money needs to go toward the home-owning costs listed above.

Find Your Maximum Mortgage

If you want to figure out the size of the mortgage you can afford based on your maximum monthly payment, you'll need to keep in mind that the size of this mortgage will also depend on available interest rates at the time you apply. That said, there are two easy ways to get the information you need: (1) Consult one of the many online calculators that compute your maximum mortgage amount when you enter the variables requested (for a list of my favorites, go to my Website, www.suzeorman.com); and (2) consult the following table, which can give you a general idea.

I've used a 30-year mortgage table for purposes of illustration. To find the current interest rates for 30-year fixed mortgages, websites such as bankrate.com and hsh.com provide daily updates on current rates. Then, in the first column, find the rate closest to the current one. Using that rate, choose the dollar figure along the row closest to the amount you can afford to spend each month. Once you find it, look up at the number at the top of the column. This is the approximate mortgage amount you can afford.

	\$100,000	\$150,000	\$200,00	\$250,000	\$300,000	\$350,00	\$400,00
3.5%	449	674	898	1,123	1,347	1,572	1,796
4%	477	716	954	1,194	1,432	1,671	1,910
4.5%	507	760	1,013	1,267	1,520	1,773	2,027
5%	537	805	1,074	1,342	1,610	1,879	2,147
5.5%	568	852	1,135	1,420	1,703	1,987	2,271
6%	600	899	1,199	1,499	1,799	2,098	2,398
6.5%	632	948	1,264	1,580	1,896	2,212	2,528
7%	665	998	1,331	1,663	1,996	2,329	2,661
7.5%	699	1,049	1,398	1,748	2,098	2,447	2,797

Can You Afford the House You Want?

The biggest mistake first-time home buyers can make is to assume that if they've been paying \$800 a month in rent, they can afford an \$800-a-month mortgage. The banks may tell you this is true, but remember that banks like you to borrow money—it's one of the ways they make a profit.

Just because you can qualify for a mortgage doesn't mean that you can afford the monthly payments. It's a sobering fact that 100 percent of the homes (and homeowners) that went into foreclosure during the financial crisis once qualified for a mortgage. Not all of these people lost their jobs or suffered other unforeseen calamities—some of them just discovered too late that they really couldn't afford the home they'd bought. Why? Because they didn't plan for how much it was really going to cost.

Once you qualify for a mortgage, remember that your monthly costs will include not only your mortgage but also property insurance, property taxes, any possible PMI (private mortgage payments) payments, maintenance, and utilities. And not only will your utility payments be higher if the home you buy is larger than your current one, but in many cases you'll also be responsible for charges that renters don't ordinarily pay—such as water, sewer connection, and garbage removal. Remember, as a homeowner, you'll be financially responsible for maintaining and repairing things out of your own pocket. It's even written into your agreement with your lender in many cases.

In addition to the above costs, if the home has property, you're responsible for the physical upkeep of that property. If you do it yourself, tending a lawn or garden and removing leaves each autumn requires the purchase of equipment; otherwise, you need to budget for the services of someone who can do the work. Some neighborhoods have regulations about what you can plant and what you may *have to* plant, and some

have associations to which you may owe annual dues for the maintenance and upkeep of anything the association owns in common—pools, fences, outbuildings, road signs, and speed bumps, among other things. If you're on a private road, you may even be responsible, possibly along with your neighbors, for paving and snow removal.

Even the best maintained homes have appliances that wear out, and many new home owners discover that there are more repairs than they had expected. If you buy an older house, you could need a new refrigerator, dishwasher, washer and dryer, air-conditioning units or parts, a hot-water heater, and heating appliances. You could easily spend a couple hundred dollars every weekend when you first move into your house just to keep it up. Even painting a room can cost a bundle, and if you buy a new home, most of its walls will be white, so you may want to add some color when you move in. If you have a fireplace, you'll have to make sure that the fireplace, flue, and chimney are in good repair, and you'll have to buy any wood that you burn. At a bare minimum, you need to sock away \$150 a month for maintenance. And don't forget: If you're moving farther away from your job, you may have additional commuting costs, including monthly train or bus fares and parking.

To find out what you can afford, I want you to “play house” before you actually buy a first, or larger, home.

How to Play House

Open up a brand-new savings account. Remember, this is something you want to do well *before* you're really serious about buying a home. Set a date once a month—for instance, the 15th. For the next six months, on that date, I want you to deposit into your new account the exact difference between what your current housing costs (rent, or the total payments you're making on the home you currently own) and the

amount you project you'll have to pay on your new home. Ideally you will set up a direct transfer from a checking account into this savings account. That's the best way to make sure you stay on schedule with this test. For example, let's say that you're renting, and it costs you \$1,500 a month to rent. The house you want to buy will cost you \$3,500 a month (including mortgage payment, PMI, property insurance, taxes, utilities, and maintenance). You must deposit the difference between the two ($\$3,500 - \$1,500 = \$2,000$ a month) into the new savings account, no later than the date you set.

Or, say that you currently own a home and want to buy a bigger one. Your current total monthly payments come to \$3,000, and your new home will cost you \$6,200 a month. To play house, you must deposit the difference between the two ($\$6,200 - \$3,000 = \$3,200$ a month) into a savings account—again, no later than the date you set.

These examples feature the minimum costs. They don't include all the expenses, such as lawn maintenance and snow removal. So if you really want to do a thorough job, you should also figure out the cost of any additional expenses you'll need to cover. After doing this for six months, evaluate how making those higher payments—or “playing house”—has affected your lifestyle. If you've made all the payments comfortably and on time, you know that you can truly afford a home at this price. Better yet, you've already accumulated funds to put toward increasing your down payment, help you with moving costs or closing costs, or even do a few small renovations on the new home!

If, on the other hand, you missed payments or were late in making any, you can't afford the house you were thinking about buying. Instead, look to see what monthly payment would have been comfortable for you, and try that. Maybe the solution is to consider a smaller house or a larger down payment. Perhaps you'll just have to wait until your finances improve. The good news is that you now know how much you can realistically afford at this time—*without* having lost any money in finding

out. As a bonus, you should also have a nice sum of money in your savings account that will help you achieve your future goals.

Playing house is a great way to try new financial situations on for size. You can also use it to help you decide if you can afford a car, boat, or any large known expense that requires a monthly payment.

Know Your FICO Score Before You Apply for a Home Loan

While you're playing house—and long before you apply for a mortgage—be sure to find out your FICO score, if you haven't already done so (for more information on obtaining FICO scores, see page 31 of the “Credit: Cards, Records, and Debt” booklet). The interest rate you get on your mortgage will be directly related to your FICO score. Please note that the lower your FICO score range, the higher the interest rate you may have to pay (see the following chart). For example, if in early 2019, you had applied for a 30-year mortgage of \$300,000, here are the six FICO ranges and the interest rates you most likely could get.

<u>FICO Score</u>	<u>Interest Rate (percent)</u>
760–850	4.0%
700–759	4.2%
680–699	4.4%
660–679	4.6%
640–659	5.1%
620–639	5.6%

Note that if your FICO score falls into the 620–639 range, it could cost you about a point and a half more in interest than if your FICO score fell in the best range. Why is this important for you to know? Well, let's say that your FICO score is 639. If you were applying for a mortgage and the above interest rates were in effect at that time, you'd have to pay an interest rate of

5.6 percent. Given this, you might be better off waiting to apply for a mortgage while you take the necessary steps to improve your FICO score. Raising your score by just 3.5 percent would put you into a range two steps higher, where your interest rate would be 4.6 percent. Remember: The higher your FICO score, the lower your interest rate. Refer to the following chart to see how a seemingly small difference in interest rate could affect your monthly payments.

FICO Score	Interest Rate (Percent)	Monthly Payment (\$300,000 on a 30-Year Fixed-Rate Mortgage)
760–850	4.0%	\$1,437
700–759	4.2%	\$1,476
680–699	4.4%	\$1,507
660–679	4.6%	\$1,545
640–659	5.1%	\$1,623
620–639	5.6%	\$1,725

The difference in monthly payments based on the highest and lowest FICO ranges is about \$300. And this spread will increase as interest rates rise! That’s why I’m so serious about knowing what your FICO score is and how to raise it. (To learn how to raise your score, see “How to Improve Your FICO Score” on page 33 of the “Credit: Cards, Records, and Debt” booklet.) When you play house, you might also want to toy with the concept of what raising your FICO score would do to allow you to be able to more easily make those monthly payments.

The Length of Your Mortgage Can Make a Big Difference

People often ask me which is better, a 15-year or a 30-year mortgage. As a general rule, I recommend the 15-year mortgage to those who can afford the higher monthly payments associated with the shorter payment period. Alternatively, consider a 30-year mortgage and pay a higher monthly payment that would enable you to pay off the loan within 15 years, but still have some flexibility if your financial situation changes over the repayment period. (15 and 30 year mortgages are the most popular, but there are also 10-, 20-, 25-, and even 40-year mortgages.) The basic difference between a 15- and a 30-year mortgage is obviously the length of the loan. Beyond that, the interest rate on a 15-year mortgage is typically half a percent lower than on a 30-year mortgage. As a trade-off, you'll pay a larger sum each month. For a long time, 30-year mortgages were the standard (and sometimes the only) choice for most people, which is why many of us still think of them as the way to go. But it pays to do the math.

I bought my own first house by taking out a 30-year mortgage. I didn't know I had a choice, and I was told, "Oh, everyone gets a 30-year mortgage," so that's what I did. Almost ten years later, I realized that the difference per month would have been only about \$115. If I had realized that I could own my home in 15 years instead of 30 for an extra \$115 each month, you can bet I would have figured out a way to come up with the extra money!

But there are other benefits to a shorter term: If you're not inclined to put your monthly savings from the smaller payments on a 30-year mortgage into an investment account for your future, the higher payments on a 15-year mortgage will effectively do your saving for you.

Following is a table demonstrating the differences between the shorter and longer mortgage term, both in monthly payments and in overall costs, based on common loan amounts. This table assumes that you'll keep the house for the full life of the loan.

Mortgage Amount	Monthly Payments		Per-Month Difference	Total Interest Savings on a 15-Year Loan vs. a 30-Year Loan
	15 Years (3.5%)	30 Years (4.0%)		
\$100,000	\$846	\$609	\$238	\$43,280
\$150,000	\$1,237	\$881	\$356	\$64,809
\$200,000	\$1,627	\$1,152	\$475	\$86,616
\$250,000	\$2,018	\$1,424	\$593	\$108,144
\$300,000	\$2,408	\$1,696	\$713	\$129,617
\$400,000	\$3,188	\$2,238	\$950	\$172,954
\$500,000	\$3,969	\$2,782	\$1,187	\$215,955

The Smartest Way to Finance a Mortgage with a Low Down Payment

If you can't put at least 20 percent down on the purchase of the house you want, your lender or bank will require you to buy private mortgage insurance, or PMI. I want you to give some thought to your PMI strategy.

First, let's cover the PMI basics: Lenders get nervous when you invest less than 20 percent in your home. They figure you're a higher risk, and you may fall behind on your payments or walk away from the mortgage if you run into tough economic times. So they want some insurance that they won't be left high and dry. That insurance is PMI. It's the home buyer—not the lender—who bears the cost of the insurance, which is typically \$40 to \$50 a month for every \$100,000 of a

mortgage that carries a payment of less than 20 percent. You're usually required to pay PMI until you've built up at least 20 to 22 percent equity in your house. Your PMI cost will be based on your FICO credit score and the amount of your down payment. For example, if you make a 10 percent down payment rather than a 5 percent down payment, your fee will be lower.

PMI is usually an added monthly payment, separate from your mortgage. (If you have an FHA-insured loan, your insurance is part of your mortgage payment. The mortgage insurance that is part of an FHA-insured loan can't be canceled. You will pay it for the life of the loan, regardless of how much equity you have.) So let's say you have a great FICO credit score and you take out a \$200,000 mortgage that you made a 10 percent down payment on. On a 30-year fixed rate mortgage with a 4.0 percent interest rate, you're looking at a monthly mortgage of \$954, plus an extra \$90 a month in PMI, for a grand total monthly payment of \$1,044.

I have a better idea for you. Ask your lender to draw up the mortgage so you pay all the PMI up front, as a onetime fee. With a 30-year mortgage, your PMI will cost you two points, or two percent of the value of your mortgage. In the example of the \$200,000 mortgage, that means you're adding on \$4,000. But the good news is twofold: First, you can add the PMI cost into your mortgage. So rather than fork over the \$4,000 in cold, hard cash, you instead have a \$204,000 mortgage. By adding in the PMI to the mortgage cost, your monthly bill will rise to \$974—or \$21 a month more than the original mortgage. But you eliminate the \$90 monthly PMI fee so you save nearly \$70 per month! Now here's the second part of the good news: Since the PMI is now included in your mortgage, it's tax deductible, reducing your net after-tax cost even more if you were not eligible for a tax deduction for PMI paid on a monthly basis. Note, that as of 2018 a change in tax law limits the deductibility of mortgage interest to loans valued at \$750,000 or less.

Pay Off Your Mortgage Early

If you are in your 50s and own a home you intend to stay in through retirement, I think it is very smart to consider paying off your mortgage prior to retirement. One of the best ways to do so is to make just one extra mortgage payment a year. Depending on the interest rate you're paying, one extra payment a year can change a 30-year into a 25-year mortgage. Similarly, it can turn a 15-year into a 13-year mortgage. Reducing your current mortgage is becoming very popular. Some lenders send out offers to their borrowers saying that a 30-year mortgage can be shortened by 5 years by simply switching from a monthly payment schedule to a biweekly one. If you want to do this, some banks say, all it will cost you is \$300 or so as a one-time set-up fee, plus some banks also charge a small additional monthly fee of around \$5 a month. Please note, however, that paying according to this biweekly schedule is the same as taking it upon yourself to pay just one extra mortgage payment every year. I think it's a serious waste of money to pay more to accomplish something that you can do on your own. I'd prefer that you do it on your own and save that chunk of money for yourself or your home; however, if you're not disciplined and feel you won't consistently make that extra mortgage payment every year, and you want to be sure that your home will be paid off early, then by all means use the aid of the bank.

If you want to see how long it will take you to pay off your mortgage if you make an extra payment every year increase your monthly payment, check out the mortgage payoff calculators on the Must Have Documents Website.

Refinancing

You don't want to fall into the very common mistake of making payments on your 30-year mortgage for five or ten years, and then, when you refinance at a lower rate, taking more money out and adding five or ten years back onto the life of your mortgage. You should be looking to refinance if you can get a lower rate, but you should also be looking to reduce the number of years you have left on your mortgage. You also want to make sure that you'll stay in the house long enough to recapture the costs of the closing.

You might want to look into a 20-year payback period rather than a 30. For every \$100,000 of your mortgage at a 4 percent rate, a 20-year mortgage is about \$125 more per month than a 30-year mortgage. Chances are, you may be able to finance the difference in your monthly payments with what you're saving because of your new, lower interest rate. That way, you'll own your house ten years earlier at about the same monthly cost to you. That's a good deal.

To determine if it makes sense for you to refinance, complete the following exercise. (The Must Have Documents Website also includes a Mortgage Refinance calculator for your convenience.)

	YES	NO
Are you planning on staying in the home longer than the amount of time that it will take you to recoup closing costs?	<input type="checkbox"/>	<input type="checkbox"/>
Are current interest rates at least 1 to 2 percentage points lower than your present mortgage?	<input type="checkbox"/>	<input type="checkbox"/>

If you answered yes, then refinancing may make sense.

Refinancing and Taxes

For tax purposes, don't overlook this deduction. If you've refinanced your home mortgage in the recent past and refinanced again because interest rates went down even further, those points you may have paid to the lender the previous time are now tax-deductible in one lump sum. For example: You refinanced your home a few years ago and paid \$3,600 in points. These points can only be deducted off your taxes by spreading the amount over the life of the loan. So the \$3,600 on a 15-year loan allowed you to deduct only \$240 a year on your taxes. Now that you refinanced again, the remaining balance on the points you paid on the previous loan are now tax-deductible in their entirety. In other words, you deducted \$240 for two years, or \$480 of the \$3,600, and by refinancing again, you now get to deduct the balance of \$3,120 on your income-tax return.

The Tax Write-Off of Having a Mortgage

Many financial advisers and tax people will tell you that paying off your mortgage early and owning your home outright is the wrong thing for you to do with your money because you're "losing" your mortgage-interest deductibility. I couldn't disagree more. As you get older, if you don't have the income source to make those payments, you could be in terrible trouble. Moreover, as you get into the later years of paying a mortgage, you'll be paying more principal than interest, and the principal isn't deductible.

Let's say you took out a 30-year mortgage for \$200,000 at 5 percent. Your mortgage payments are \$1,075 a month. Let's say, too, that now you have to retire because of a medical condition, and you have ten years left on the mortgage. Interest rates on CDs and treasury bonds are so low that you have very little idea how to get a decent income. You don't know how to make your monthly payments on all your bills without using up the \$200,000 that you have outside of a retirement account in a money-market fund, which is earning just 1.5 percent interest, or \$3,000 a year.

You have about \$111,000 left on your mortgage, but your monthly payments are still \$1,075 a month—identical to what they were when your mortgage balance was \$200,000. You're in the 25 percent tax bracket, so your interest write-off in that 20th year (the reason that you never paid off the mortgage in the first place) amounts to about \$1,400 a year, and will decrease rapidly from this point on. Your tax savings in year 25 will only be about \$800 a year, but you'll still be paying the same amount a month (amounting to \$12,900 a year) just to save that money.

What should you do? The answer in this case is simple, for it makes no sense to let your money sit in a CD or money-market account earning \$3,000 in interest a year—*taxable* interest—when that’s less than what you pay in two months of mortgage payments. Even if you include the tax write-off, you’re still losing about \$12,000 a year, which is a serious waste of money. Take \$111,000 out of the \$200,000 in your money-market fund and pay off your mortgage. It’s that simple. Now you can focus on how you’re going to pay your bills each month by no longer having the biggest bill of them all. An important caveat: You are never to use all your savings to pay off a mortgage; you always want to have an emergency fund handy that could cover up to eight months of your living expenses. Please do not use up all of your savings to pay off a mortgage.

Types of Mortgages

There are many different kinds of mortgages, but the main ones are fixed-rate mortgages, adjustable-rate mortgages, fixed and variable combined mortgages, and mortgages insured by the Federal Housing Administration (FHA).

Fixed-Rate Mortgage

Fixed-rate mortgages are one of the most popular types available. I believe fixed-rate mortgages are typically the best choice you can make because you do not ever have to deal with the risk of the interest rate being adjusted upward. The interest rate on a fixed-rate mortgage is permanent; it will never change. This means that your monthly payments will always be the same. For example, if you borrow \$200,000 at a 4 percent fixed rate for 30 years, the monthly payment will be fixed at \$955 a month for 30 years. A 30-year fixed-rate mortgage was the mortgage of choice for many years, but now you can get a fixed-rate mortgage for different lengths of time, including 10, 15, and 20 years.

Generally, the longer your mortgage term, the higher your interest rate will be. In other words, the bank will charge you a higher rate for a 30-year mortgage than for a 15-year mortgage, usually about a half percent more. In addition, the longer your mortgage term, the lower your payments will be each month. So as the monthly payments on a \$200,000 mortgage at 4 percent will be \$955 on a 30-year mortgage and \$1,212 on a 20-year mortgage. A 15-year mortgage might have a 3.5 percent interest rate when a 30-year is at 4 percent; the payment on \$200,000 15-year mortgage at that slightly lower interest rate would be \$1,430.

The best time to use a fixed-rate mortgage is when interest rates are low and you think they'll be going up, and you'll be living in the house you want to buy for at least five to seven years. Fixed-rate mortgages are also a good bet if interest rates are low and you're retired or about to retire. If you're living on a fixed income, you'll want to be sure that as many of your expenses as possible, including your mortgage payment, are fixed as well.

Adjustable-Rate Mortgage (ARM)

As you might guess from the name, this type of loan is the opposite of a fixed-rate mortgage. It has an interest rate that

falls or rises as general interest rates fall or rise. Normally, an adjustable-rate mortgage starts with a relatively low interest rate, which is fixed for six months to several years, and then the rate adjusts to market rates. Keep in mind that the interest rate on an adjustable-rate mortgage may rise. You may see this type of mortgage referred to as an ARM or a variable mortgage.

Built in to your mortgage agreement is a yearly cap and a lifetime ceiling cap. The yearly cap means that no matter how high interest rates rise, the bank/lender won't be allowed to increase your mortgage rate by more than a specified amount each year, usually about 2 percentage points. The lifetime ceiling cap means that the interest rate on your mortgage can never exceed a particular figure, usually about 6 or 7 percent more than the original interest rate. Similarly, if interest rates were to drop significantly, there would be a floor below which the bank wouldn't be obliged to lower your interest rate.

If you're thinking about an ARM mortgage, please consider the following issues:

- How long will the initial interest rate be in effect?
- What's the yearly cap on the mortgage?
- What's the lifetime cap on the mortgage?
- What's the lowest interest rate the loan can have?
- Which index is the interest rate going to be tied to?
- What margin can the lender charge you, based on the index?

- Once the initial period has ended, how often can the lender adjust the interest rate?
- Does the mortgage have negative amortization?
- Is there a penalty if you want to prepay your mortgage?
- Can a new buyer take over your loan?

A number of Websites, such as *www.bankrate.com*, and *hsh.com*, can help you run the numbers using different interest rates and other variables. Make sure to figure out the worst-case scenario. I want to repeat what I said earlier: I believe that a fixed-rate mortgage is the smartest choice.

Hybrid Mortgages

Another type of home loan is a hybrid mortgage that starts out as a fixed rate for a set period before converting to an adjustable rate loan. Common hybrid mortgages are called 3/1, 5/1, 7/1, and 10/1 loans. That means the initial rate is fixed for the first 3, 5, 7, or 10 years before converting to an adjustable rate loan.

For example, a convertible 5/1 hybrid would have a fixed interest rate for the first 5 years. After that, the loan converts to an ARM. If you don't plan on living in the home you're buying for at least five or seven years, and if interest rates are going up (making a traditional ARM less attractive), a hybrid might make sense for you. That's because the initial interest rate may be quite a bit lower than the rate on a traditional 30-year fixed-rate mortgage, saving you a lot of money over time. This is something to consider if you're buying a starter home or are pretty sure that you'll want to move again soon.

Consider this example: You want a \$200,000 mortgage. The interest rate on a 30-year fixed loan will be 4 percent, and

the rate on a 5/1 hybrid will be 3.6 percent. If you live in the house for the next five years, you'll pay \$1,152 each month on the 30-year fixed-rate loan, for a total of \$69,120. With a 5/1 hybrid loan, you'll pay \$1,107 each month, for a total of \$66,420. If you sell your house at the end of five years, you'll have saved nearly \$3,000 by having the 5/1 hybrid mortgage.

Federal Housing Administration (FHA) Mortgage

The Federal Housing Administration (FHA) is another mortgage source. Lenders who participate in the FHA program offer loans that are insured by the FHA. There is a mortgage limit for FHA-insured loans tied to typical home costs in your region. The maximum FHA loan limit in 2019 is \$726,525 for homes in high-cost areas in the continental U.S. The required down payment is typically 3.5 percent. You can find the limit for your metro area at www.fha.gov.

The FHA, a division of the federal government controlled by the Department of Housing and Urban Development (HUD), may be willing to give you a mortgage even if you've had bad credit in the past, because FHA uses a more relaxed standard to approve you for a loan than a conventional lender would. FHA-insured loans are available even if your FICO credit score is 580. Below 580, you need a ten percent down payment. The general FHA rules are that your mortgage can't be more than 29 percent of your gross monthly income and that the combined cost of your mortgage and other long-term debt should not exceed 43 percent of your gross monthly income. With an FHA-insured loan, you also pay an insurance premium rolled into your mortgage payment if your down payment is 5 percent or less. The annual insurance payment is 0.85 to 1.05 percent for 30-year fixed rate loans with down payments below 5 percent and 0.80 for loans with bigger down payments. You also will owe a onetime up-front insurance premium equal to 1.75 percent of the mortgage amount.

Many lenders offer both FHA-insured and conventional mortgages. You can also search online for “FHA-lender” with the name of your town to get leads.

Veterans Administration (VA) Mortgage

A VA loan is a mortgage that the Department of Veteran Affairs makes available to all those considered to be veterans. I think VA loans are really quite attractive, especially when interest rates are low. The reason is that if you sell your house, the VA loan may be assumable by the next buyer—even if he or she isn’t a veteran. The new buyer would have the same terms as your loan.

Another advantage of a VA loan is that given today’s high prices of homes in some areas, you might not have saved enough money to put down the required 20 percent to avoid PMI (private mortgage insurance) costs. With a VA loan, even if you don’t have 20 percent to put down—in fact, even if you have nothing to put down—you can still get approved without having to pay that extra PMI cost.

There are general eligibility rules. You must be a veteran who served on active duty during wartime for 90 days or more, or a veteran with active service only during peacetime who’s served more than 180 days. Veterans of enlisted service that began after September 7, 1980, or officers with service beginning after October 16, 1981, must typically must serve at least two years to be eligible for a VA loan.

If you’re full-time active-duty military personnel and have served for at least 181 days, you’re also eligible for a VA loan. Reservists and National Guard members who served in support of operations in Kosovo, Afghanistan, or Iraq for at least 90 days are also eligible. Reservists and National Guard members who have completed six years of service and have been honorably discharged—or who are still serving—may qualify, too.

For more information on applying for a VA loan, please visit the VA Website: <http://www.benefits.va.gov/homeloans>, or call 800-827-1000. (The VA loans link is also on the Must Have Documents Website.)

Taking Title

When you buy a piece of property, the way you take title—that is, the way ownership is recorded on the deed—is very important. There are five main variations on how you can take title to a home: as an individual, as joint tenants with right of survivorship, as tenants in common, as tenants by the entirety, and as community property. The way you take title affects your will, living trust, estate tax, income tax, and possibly property tax. Please consult an attorney if you have questions about how to take title, or to determine whether you have the proper title.

To determine how you took title, check your grant deed. This is the deed you received when you bought your home (for more information, see the section on “Kinds of Deeds” beginning on page 30). Following are brief descriptions of major ways of taking title to your home.

Individual

If you hold title to your property as an individual, you are the sole owner. The property is yours to dispose of as you choose.

Joint Tenancy with Right of Survivorship (JTWROS)

Joint tenancy with right of survivorship allows two or more people to hold the title to a home. If one person dies, the ownership immediately transfers to the name of the other joint tenant or tenants, without having to go through probate (probate is the court procedure by which assets pass from a deceased person to beneficiaries named in a will). In states that

aren't community-property states, married couples are usually—but not always—best off when they take title to a house by JTWROS.

An important benefit of taking title this way is that when one joint tenant dies, his or her portion of the property receives what's known as a step up (or down) in cost basis, which is used to calculate taxes owed on any gain in the value of the home. This can represent a tremendous tax savings if the surviving spouse or tenant has to sell the house.

Here's what this means: If you and your spouse or life partner buy your house for \$300,000, that \$300,000 is considered the cost basis of the property for tax purposes. Since you both own the property equally, the cost basis is shared equally between you, which means that, in essence, you each have a \$150,000 cost basis in the house. Let's say that many years later, when your partner dies, your house is worth \$650,000. The new tax basis for this property will now be half the value of the house at the time that your partner dies—in this example, \$325,000—plus your original cost basis of \$150,000, or \$475,000. The step up in tax basis on your deceased partner's half of the property represents a tremendous tax savings to you because it reduces the amount of money you could be liable to pay in capital-gains tax if you sold the house.

A potential problem with joint tenancy with right of survivorship, though, is that it will override any provisions in your will or living trust. There are good reasons for you to hold your home in joint tenancy, but trying to use it as a substitute for a will (or a trust) isn't one of them. And if you want to leave your share of your home to someone other than your spouse (such as a child, for example), joint tenancy with right survivorship isn't the way to go.

Tenancy by the Entirety

Tenancy by the entirety can be a very good way for married couples (but only married couples) to take title to a property—although only about 25 states permit it. Only real estate can be held in this type of tenancy, and only by legally married couples. In general, it operates much as joint tenancy with right of survivorship does: Each spouse owns the property equally, and when one dies, the property automatically passes to the surviving spouse without going through probate. Neither person can transfer the property while you're both alive without the other's permission, because each of you owns the entire property.

If either you or your spouse has severe debt, here's an additional benefit: As long as you own your home by tenancy in the entirety, no creditor can come after it. The reason? Each tenant is considered separate, so tenants aren't liable for each other's debts, and the home is completely protected against creditors. Please know, however, that once you sell the home, you're fair game for creditors who go after the sale money, since that money is no longer protected by tenancy by the entirety.

Tenancy in Common (TIC)

When property is held as tenancy in common (TIC), it's owned by two or more individuals who each hold an undivided proportionate interest in the property. Each person can own a different percentage of the property. Anything owned as a tenant in common is subject to probate, unless shares in the property are transferred into a living trust, in which case probate can be avoided.

If you're in a second marriage, and both you and your spouse have children from your previous marriages, you may decide that you want your respective children to inherit the money each of you has invested in your home. The best way for you to take title in this case is as TIC—*not* by joint tenancy with right of survivorship.

Here's the difference: When you take title as joint tenants with right of survivorship, the house automatically passes to the surviving spouse or joint tenant when the first spouse dies. This kind of ownership overrides the wishes contained in a will or living trust. In other words, no matter what your will says, if you die first, the house will pass directly to your spouse. If your spouse's will or living trust leaves everything he owns to his own children, then when he dies his children will inherit your share of the house as well as his. Your children will receive nothing.

When you take title as TIC, this problem disappears. Your will or trust will be the document that dictates who will inherit your portion of the home when you die. Naturally, there's a catch with this, too. Your children (or your spouse's, if she dies first) may want to sell their interest in the home, meaning that your spouse might have to buy them out or move. That puts a serious burden on the surviving spouse. To solve this problem, what you could do is to set up a trust, known as a QTIP trust, with the title of the house held in TIC. Upon your death, your half of the house would pass into the QTIP trust, which would allow your spouse to keep the house as long as she lives or wants to remain there. When she dies, that half of the house would pass directly to your children.

Community Property

Eight states (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington) have community-property laws, which create a particular form of co-ownership for married couples. Wisconsin has a similar property system, though its community property is called "marital property," and Alaska has an opt-in policy where property is separate unless it's agreed to be community property. While the laws in each of these states are different, as a general rule community- and marital-property states hold that the income and property acquired by a married couple should be divided

equally in the event of a divorce—unless both spouses agree in writing to an alternate arrangement. Thus, in a community- or marital-property state, all “marital” property is owned by you and your spouse equally—and marital property includes everything acquired during the course of the marriage other than by gift or inheritance.

This is the best way for married couples to take title in a community-property state. It’s similar to taking title by joint tenancy with right of survivorship, except that community property is available only to married couples and it carries an additional benefit: When one spouse dies, the other spouse gets a step up (or down) in tax basis on the whole property, not just half of it. In many cases, this step up confers a huge tax advantage. To get this benefit, however, you must be sure the title includes the wording “as community property” when taking title to your home.

Please note: Five of the nine community property states—Arizona, California, Nevada, Texas, and Wisconsin (Alaskan couples can also choose to title their property in this manner)—let couples add the right of survivorship to community property, permitting them to bypass probate and transfer title automatically at death. The only drawback: If both partners die simultaneously, the property goes to probate.

Test Yourself on Title

How do you currently hold title to your property? _____

YES

NO

According to your state and marital status, is there a more advantageous way you could hold title to your property?

If you answered yes, please contact a title company and change how you hold title to your home. In almost all cases, title to your home should be held in a living trust.

Kinds of Deeds

Now that you know how to take title to your home, it's important that you know the difference between deeds that you may have now or in the future. There are three kinds of deeds that you may encounter. For each one that applies to you, please keep a copy in your Protection Portfolio.

- *A grant deed*, or warranty deed, shows that you purchased your home and that the title was legally transferred to you.
- *A deed of trust* is the kind of deed that shows you owe money to a bank or other lender and that you have secured the loan with your property. This is the kind of deed you sign when you take out a mortgage. The amount of money you've borrowed and the terms of the loan are contained in a signed promissory note, of which you should keep a copy.
- *A deed of reconveyance* shows that the lender has been repaid and has reconveyed its security interest in the property back to you.

Homeowners Insurance

When you purchased your home, the lending institution that issued your mortgage probably required that you get homeowners insurance. If so, you should have an insurance contract that spells out your policy's terms and conditions. Please locate it, but before you file it in the Protection Portfolio, check to be sure that you have adequate insurance.

Standard policies have two parts: The first part of your policy should cover the total cost of rebuilding, repairing, or

replacing your home, property, and/or personal belongings (such as furniture and valuables) in case of burglary or a disaster; the second part should cover liability for any injuries or damage that you or your family might cause to other people. So what's adequate coverage for your needs? One item to check on is whether you have enough insurance on your personal possessions. Your policy should cover the replacement value—not the cash value—of these belongings. Also, be aware that standard policies put a cap on coverage of your belongings—typically, between 50 percent and 70 percent of the amount of your policy. If this isn't enough, consider additional coverage. Finally, most policies come with liability coverage that ranges from \$100,000 to \$300,000. If this isn't enough, consider what's called an umbrella policy. It sits “on top” of your policy and provides extra coverage—up to \$1 million or more.

Basic Types of Homeowners Insurance

There are six basic types of homeowners insurance, and there's also renters insurance:

- HO-1: A basic policy not available in all states. It is rarely purchased by consumers, due to the limited coverage. It covers damage due to falling objects; the weight of ice, snow, or sleet; accidental discharge of water or steam from household appliances; freezing; volcanic eruption; and other perils.
- HO-2: Protects against 17 perils including all the perils included in HO-1, plus additional perils of fire, lightning, windstorms, hail, riots, vandalism, and more. People who have mobile homes are normally eligible for a variation of this type of policy.

- HO-3: This is the most common homeowners policy. It protects your home against all perils except for those that are explicitly excluded by the policy. Some of the excluded perils are earthquakes, floods, termites, landslides, war, tidal waves, and nuclear accidents. Normal wear and tear, mechanical breakdown, vandalism if the home is unoccupied for more than 30 days, and continuous water seepage over a specified period of time are also typical policy exclusions.
- An HO-5 is most often added to HO-3 to expand the coverage to include additional perils.
- HO-4: This is renters insurance. It does not cover the dwelling or detached structures, which are the landlord's responsibility to insure. It protects the possessions of tenants in a house, apartment, condo, or duplex against the same perils specified in HO-3. It also provides additional living expense, personal liability, and medical payments coverage. Make sure that your policy includes coverage for the replacement cost of your possessions, not their actual cash value.
- HO-6: This is a policy for co-op and condominium owners. Condominium insurance is like HO-4 (renters) except that it takes into account the fact that you own the inner walls of your condo or townhouse. It can also fill in any gaps in your condo association's coverage. It is important to note that HO-6 policies include loss- assessment coverage; however, the coverage limit included may be inadequate. If your co-op board or condo association needs to assess

charges because of some uninsured loss to the building or liability situation, having substantial loss-assessment coverage is important.

- HO-8: This is a type of policy that covers perils like those listed in HO-1, but is meant for people who own older homes. It insures the house only for repair costs or its actual cash value, as opposed to its replacement cost, in cases when rebuilding the home with the materials and details of the original would be prohibitively expensive. Basically, this policy will pay to restore the damaged property but not at the level of quality or authenticity of the original. This policy is rarely offered.

My Homeowners Insurance

Please record the type of homeowners insurance you have.
(If you don't know, check your homeowners policy.)

I have the following homeowners insurance: _____

	YES	NO
Is this coverage ample for your needs?	<input type="checkbox"/>	<input type="checkbox"/>

If you answered no, please contact your insurance company and discuss other insurance options. If you answered yes, are you sure? Standard policies generally only cover the contents of your house at 50 to 70 percent of the value of the insured structure. In other words, if you insured your house for \$150,000, your policy probably covers the contents of your home up to \$75,000 to \$105,000.

What is your house insured for? \$ _____

Divide by (÷) 2

Total coverage for the contents of
your house \$ _____

	YES	NO
Are the contents of your home worth more than the coverage in your insurance policy?	<input type="checkbox"/>	<input type="checkbox"/>

If you answered yes, please discuss increasing your content coverage with your insurance provider. If you answered no, are you sure? In most cases the cost to replace everything will be far greater than your insurance coverage. If you don't have ample coverage for your contents, please see your insurance provider and consider increasing your content coverage.

Actual Cash-Value Policy vs. a Replacement-Cost Policy

An actual cash-value policy will reimburse you for the cost of your belongings—less their depreciation—while having a replacement-cost policy means that the insurance company must reimburse you for the actual cost of replacing the lost or damaged item. If you have a couch you purchased for \$1,000 a few years ago, a cash-value policy might reimburse you only \$800 for that couch, assuming a depreciation of 20 percent, while a replacement-cost policy would pay you enough to get the same couch no matter its current price. You can see why replacement-cost policies are better. An even better level of coverage is an Extended Replacement-Cost Policy where the payout limit can be up to 125 percent of the insured value of your home. If you have a major loss, a settlement of 125 percent of the insured value (rather than 100 percent) can help offset the impact of rising building costs.

My Homeowners-Insurance Policy Covers:

- Actual cash value
- Replacement cost

If you answered actual *cash value*, please see your insurance provider to explore switching to a replacement-cost policy.

Finally, most policies come with liability coverage that ranges from \$100,000 to \$300,000. If this isn't enough, consider what's called an umbrella policy. It sits "on top" of your policy and provides extra coverage—up to \$1 million or more.

Umbrella Policy

Umbrella liability insurance is so named because it acts like an umbrella on top of your homeowners- or renters-liability policies to provide extra protection in case of an accident. It often kicks in after an auto accident in which you're being sued under your auto-insurance policy, or when your neighbor slips and falls on your front doorstep and sues you under your homeowners insurance, or in case of a natural disaster in which a tree falls from your front lawn onto a neighbor's vehicle or home. These things usually come under the "I thought that was covered by my homeowners policy" category.

Your homeowners policy probably has some liability coverage, but you may need more. What if a lawsuit ended in a settlement (or judgment, if it goes to court) of \$700,000, and you have only \$300,000 in liability coverage? The insurer would pay its \$300,000, but where are you going to get the other \$400,000? Virtually everything you own would be fair game to repay the debt. The only good news is that some states protect certain assets (such as your home) from seizure. Umbrella policies aren't just for the wealthy. They're really for anyone who has assets that might be at risk if they cause a serious accident.

Umbrella liability insurance pays up to \$1 million, \$2 million, or sometimes even \$5 million or more on a claim, on top of what your basic policies will pay. You're usually able to specify the amount. For the protection you get, umbrella liability coverage isn't very expensive—premiums usually range from \$200 to \$300 a year for \$1 million worth of coverage.

Do You Need an Umbrella Policy?

	YES	NO
Could you be an easy target for a big settlement?	<input type="checkbox"/>	<input type="checkbox"/>
Do you travel a lot?	<input type="checkbox"/>	<input type="checkbox"/>
Do you entertain often?	<input type="checkbox"/>	<input type="checkbox"/>
Do you operate a home-based business and have employees or clients coming to your home on a regular basis?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have an aggressive dog that could bite someone?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a swimming pool, trampoline, or swings in the backyard that pose a danger?	<input type="checkbox"/>	<input type="checkbox"/>

If you answered yes to any of these questions, it's particularly important for you to consider umbrella liability insurance. Please discuss adding an umbrella policy to your current homeowners policy with your insurance provider.

Fire and Flood Insurance

Your homeowners insurance nominally covers the cost of repairing or rebuilding your home if it's damaged in a fire, but depending on the restrictions in your policy, that coverage may not be enough to restore your home to its pre-fire condition. And with sharply rising home-construction costs, you need to make certain that your policy coverage keeps pace with the rising replacement cost of your home. Give your policy an annual

review to see if you need to boost your coverage, or perhaps consider buying additional insurance.

Flooding is second only to fire as the most common natural disaster. Although 25 percent of all flood-insurance claims occur in the low-to-moderate-risk areas, the majority of homeowners-insurance policies rarely cover damage due to floods.

You don't need to live near water to be flooded. Floods are caused by storms, hurricanes, and water backup due to inadequate or overloaded drainage systems. Floods are often too small or localized to qualify for federal assistance, and even if one does qualify, the assistance from FEMA comes in the form of a loan or small grant. Disaster home loans, with an average repayment plan of 18.5 years, must be repaid—with interest—on top of your existing mortgage payment. The bottom line is that there's a big difference between paying back a loan, even if it's at a low interest rate, and having an insurance plan that will pay for everything.

The average flood-insurance premium costs about \$1,100 a year. Premiums vary by region and the level of coverage (you can learn more at <https://www.floodsmart.gov>). Contrast that with the cost of taking out a FEMA loan of just \$50,000 to help you replace your articles lost in a flood. Such a loan could cost you an average of \$240 a month for a repayment period of close to 30 years!

FEMA's National Flood Insurance Program (NFIP) is available in communities that adopt and enforce regulations to reduce flood losses. The good news is that more than 20,000 communities in the United States and its territories that face potential flooding participate in the NFIP, so the chances are excellent that NFIP insurance is available for you. For more information about NFIP flood insurance, and to find out if it's available in your particular area, call the NFIP at 888-379-9531, or visit their Website (www.floodsmart.gov).

Property Co-ownership Agreement

A property co-ownership agreement details how your property is owned and can be bought out by a co-owner. This type of agreement is important if you co-own property as part of an unmarried couple or if you're buying a property (such as a duplex) with a friend. On your Must Have Documents Website, you will find a "Real Property Co-Ownership Agreement" prepared by attorney Frederick Hertz. To learn more about real property co-ownership agreements, please consult attorneys Frederick Hertz and Lina Guillen's book, *Living Together: A Legal Guide for Unmarried Couples*; or attorneys Frederick Hertz and Emily Duskow's, *A Legal Guide for Lesbian & Gay Couples*. Log on to www.nolo.com for information on ordering these books.

Land Survey

A basic land survey verifies the boundaries of your property. If you're planning on building an addition to your home or adding a fence to your property, most townships require that you have your land surveyed before a permit can be issued. A land survey can be expensive—generally \$500 to \$3,000 or more, depending on the difficulty of the terrain and time needed to complete the project. If you know you need to have your land surveyed, don't wait to the last minute to schedule a survey—a surveyor must research your property's history and conduct field investigations—not just on your property, but on the surrounding properties as well—so make sure you leave ample time for the survey to be completed. The surveyor will provide you a "Plat of Survey" (drawing), depicting the boundaries of the property. This document will include a "Certificate of Survey," which is signed and sealed by the Professional Land Surveyor. This is a legal document, so keep it safe in your Protection Portfolio.

Title-Insurance Policy

If you're buying a home, your bank will have you buy title insurance. Title insurance protects the bank against mistakes made in a title search. A title searcher, who should be licensed, checks to be sure that there isn't a lien against the title and that the person you're buying the house from really owns it. Title insurance typically covers the amount of a mortgage, with the policy's value declining as the mortgage is paid off. The premium is paid once—when the loan is taken out—usually by the borrower. Typical rates are several tenths of a percent of the mortgage amount—often in the 0.5 to 0.7 percent range—or \$750 to \$1,050 for a \$150,000 loan.

Property List in Case of Loss

On pages 42–43 of this booklet and on the Must Have Documents Website, you'll find a form to list your personal property. If you suffer a loss due to theft, fire, flood, wind, or other disaster, you'll need to supply this list to your insurance provider.

Reverse Mortgages

A reverse mortgage is a special type of loan used by older Americans to convert the equity in their homes into cash. The money obtained through a reverse mortgage can provide financial security in the retirement years. You must be at least 62 years old to be eligible for a reverse mortgage. I actually think you should only consider a reverse mortgage once you are at least 70 or so. The younger you are, the less value you can get through a reverse mortgage. I believe that a reverse is best used as a late-life option if you indeed need income.

The reverse mortgage is aptly named because the payment stream is “reversed”—instead of the borrower making monthly payments to a lender, as with a regular first mortgage or home-equity loan, a lender makes payments to the borrower. With a reverse mortgage, you receive a monthly amount of money based on your home equity, your age, current interest rates, and how long you want them to pay you, or you can opt to open a credit line and draw on the money only when needed. You can live in the house as long as you want. The money from a reverse mortgage can be used for anything: daily living expenses; home repairs and improvements; medical bills and prescription drugs; to pay off existing debts; education; travel; long-term health care; prevention of foreclosure; and other needs.

To qualify for a reverse mortgage, you must own your own home or condominium outright or have a small mortgage balance left that you could pay off with the proceeds from your reverse mortgage. There are no income or medical requirements.

The size of the reverse mortgage that you can get depends on your age at the time you apply for the loan, the type of reverse mortgage you choose, the value of your home, current interest rates, and, sometimes, where you live. In general, the older you are and the more valuable your home (and the less you owe on it), the larger the reverse mortgage can be.

You can choose how to receive the money from a reverse mortgage. The options are: all at once (lump sum); fixed monthly payments (for up to life); a line of credit; or a combination of a line of credit and monthly payments. The most popular option—chosen by more than 60 percent of borrowers—is the line of credit, which allows you to draw on the loan proceeds at any time. There are also three basic types of reverse mortgages—FHA-insured, lender-insured, and uninsured—and they vary according to their costs and terms.

The payments from a reverse mortgage don't affect your Social Security or Medicare benefits. If you receive Supplemental Security Income, reverse mortgage advances don't affect your benefits as long as you spend them within the month you receive them. In most states, this is also true for Medicaid benefits. When in doubt, check with a benefits specialist at your local area agency on aging or legal-services office.

No payments are due on a reverse mortgage while it's outstanding. The loan becomes due and payable when the borrower ceases to occupy his or her home as a principal residence. This can occur if the homeowner (the last remaining spouse, in cases of couples) passes away, sells the home, or permanently moves out of the home. The home doesn't have to be sold to pay off the loan—the borrower (or the borrower's heirs) can pay off the reverse mortgage and keep the home.

For more information on reverse mortgages, visit www.reversemortgage.org (on the Must Have Documents Website there is a link to this Website).

Final Words about Home Ownership

A home is one of life's most significant resources. It's the place where you live, of course, but it's also an investment that can bring you satisfaction and security for years to come. If home ownership makes sense for you, it can be an essential part of your financial and emotional life. I hope you've used the exercises contained in this booklet to figure out what kind of house you can truly afford, which type of mortgage will serve you best, and how to hold your title—and that by doing so, you'll also get a sense of the tremendous security and freedom that comes with owning a home free and clear.

About the Author

Suze Orman has been called “a force in the world of personal finance” and a “one-woman financial advice powerhouse” by *USA Today*. A two-time Emmy Award–winning television host, *New York Times* mega-best-selling author, magazine and online columnist, writer/producer, and one of the top motivational speakers in the world today, Orman is undeniably America’s most recognized expert on personal finance.

Orman for 16 years was the contributing editor to *O, The Oprah Magazine* and for 13 years hosted the award-winning *The Suze Orman Show*, which aired every Saturday night on CNBC. Over her television career, Suze has accomplished what no other television personality ever has before. Not only is she the single most successful fund-raiser in the history of public television, but she has also garnered an unprecedented eight Gracie awards, more than anyone in the 41-year history of this prestigious award. The Gracies recognize the nation’s best radio, television, and cable programming for, by, and about women.

In 2010, Orman was also honored with the Touchstone Award from Women in Cable Telecommunications, was named one of “The World’s 100 Most Powerful Women” by *Forbes*, and was presented with an Honorary Doctor of Commercial Science degree from Bentley University. In that same month, Orman received the Gracie Allen Tribute Award from the American Women in Radio and Television (AWRT), which is bestowed upon an individual who truly plays a key role in laying the foundation for future generations of women in the media.

In October 2009, Orman was the recipient of a Visionary Award from the Council for Economic Education for being a

champion on economic empowerment. In July 2009, *Forbes* named Orman 18th on their list of “The Most Influential Women In Media.” In May 2009, Orman was presented with an honorary Doctor of Humane Letters degree from the University of Illinois. In May 2009 and May 2008, *Time* magazine named Orman as one of *Time’s* “100 Most Influential People in the World.” In October 2008, Orman was the recipient of the National Equality Award from the Human Rights Campaign.

In April 2008, Orman was presented with the Amelia Earhart Award for her message of financial empowerment for women. *Saturday Night Live* spoofed Orman six times during 2008–2011. In 2007, *Businessweek* named Orman one of the top 10 motivational speakers in the world—she was the ONLY woman on that list, thereby making her 2007’s top female motivational speaker in the world.

Orman, who grew up on the South Side of Chicago, earned a bachelor’s degree in social work at the University of Illinois, and at the age of 30 was still a waitress making \$400 a month.