

**Attorney Timothy P. Crawford, CPA, CELA\***  
wanted to share this information with you.

## **REVERSE MORTGAGE. IS IT RIGHT FOR ME?**

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The reverse mortgage is a wonderful product. It's use has expanded greatly in the past five years. However, it is not for everyone. In my experience, there are very few people who should be using it. It is a very high cost product to purchase. Prior to purchasing a reverse mortgage, all of the following should be explored:

1. Home Equity Line of Credit. Can be obtained from your bank at a very low cost. Sometimes for free. If you are concerned about paying back the home equity line of credit, you can simply write a check on your home equity line of credit to pay your home equity mortgage payment. It is important that you obtain a large enough line of credit to give you this flexibility. Remember, it is a line of credit therefore, you only pay interest on what you draw.
2. Conventional Mortgage. These can be obtained at modest costs. However, many times my elderly clients can not obtain a conventional mortgage as their income is too low to support a conventional mortgage. Also, you end up getting more money than you need immediately, as they are generally not structured as a line of credit, pulling out only what you need when you need it.
3. Using up your Savings. You do not need a reverse mortgage if you have adequate savings. However, your savings balance should always be adequate for your future emergency needs. I call this your "emergency reserve fund". If your balance were to drop below this amount that is when you would be thinking about obtaining a reverse mortgage. However, you would want to explore all other options first, prior to obtaining the reverse mortgage.
4. Obtaining money from your children. Rather than going through the high cost of a reverse mortgage, you may consider getting either a gift or a loan or a mortgage loan from your children. This has the advantage of providing you with the funds you may need without the need of obtaining an expensive reverse mortgage. However, this may not be a good option if you

are doing asset protection planning to prevent your assets from being sold to pay for nursing home care costs.

After exploring all of the above and finding that none of them are available to you, then you should consider a reverse mortgage. Many financial institutions will sell you a reverse mortgage. It is a high profit item for them. You will see lots of advertisements for them. There are very aggressive bankers that will encourage you to get a reverse mortgage even though it is not the best thing for you. Always have a lawyer involved to independently explain to you a reverse mortgage. Attorney Tim Crawford would be glad to do this for you. You need to have the review prior to committing to any expenses.

The fees you pay for a reverse mortgage are very expensive. They could be nearly 4% of the value of your home. These fees are very high. I've seen some as high as 12% of the loan amount. Be careful.

The percentage fee that the bank charges you is negotiable. Currently, Wells Fargo Bank, the largest seller of reverse mortgages in the United States, will not negotiate their fees. Some other banks are willing to negotiate their fees. I have been very happy in the past with the services of Shakil Haider who works for the Bank of Elmwood at 2704 Lathrop Avenue, Racine, Wisconsin, phone 262-554-5819. He would be glad to talk to you for free about reverse mortgages.

Not everyone is eligible to obtain a reverse mortgage. You need to be 62 or over to be eligible. You need to live in your home. If you were to leave your home for over a year, the reverse mortgage would come due. If you sell your home, the reverse mortgage must be paid off.

You can structure reverse mortgages as a lump sum paid to you, similar to conventional mortgages.

You can design the reverse mortgage with a monthly draw, similar to the way you would use a home equity line of credit. This way you only pay interest on the money you draw.

Remember, with reverse mortgages you need to make no payments. The interest will simply get added to your loan balance and will be paid off from the sale of your home after your death.

Remember, by having a loan, you are reducing the amount of the equity in your home. If you obviously spend the money you get from the mortgage loan, which is the reason you are getting the reverse mortgage, you will have a reduced net worth and your children will have a reduced inheritance.

As with all mortgages, you still own your home and you can sell it.

Also, Tim Crawford can do asset protection planning for you on your home. This is true even if you have obtained a reverse mortgage prior to seeing Tim Crawford. Plan to hire Tim Crawford to do your asset protection planning to prevent your assets from being sold to pay for your nursing home care costs.

I hope this information is helpful to you.

**“Those Who Plan Ahead Win.  
Those Who Don’t Plan Ahead Lose.”**

This article is not intended as legal advice. It is basic information. I would recommend that you call Attorney Timothy P. Crawford for a free conference to discuss your situation in more detail. Attorney Timothy P. Crawford can be reached toll-free at 1-888-634-6675. When you call in, please mention the fact that you have read this article.

\*Attorney Timothy P. Crawford is a Board Certified Elder Law Attorney(CELA). He has been Board Certified by the National Elder Law Foundation which has been approved as the Sole Certifying Organization for Elder Law Attorneys by the American Bar Association.

\*\*Timothy P. Crawford was invited to join the Council of Advanced Practitioners of the National Academy of Elder Law Attorneys (NAELA) in August of 2005. The Council of Advanced Practitioners (CAP) is a small group of premier elder law attorneys, all of whom have been members of NAELA for at least 10 years, are certified as elder law attorneys by the National Elder Law Foundation, and are AV rated the top in the nation by Martindale Hubbell. A Service that provides an independent rating of the quality of attorneys.

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**“Helping Families in Wisconsin for Over 40 Years to Protect Their Assets  
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