Retirement Financing & Mortgage Options

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REAL ESTATE

Courtesy of Scott DeMoss

Income Qualification for Retirees

Social Security & Pension Income

Can I get a mortgage if most of my income is Social Security or pensions? Yes. Lenders use documented retirement income for DTI. Many will "gross up" non-taxable income.

Asset Depletion Underwriting

What is "asset depletion" underwriting? Your liquid assets are converted into an income figure using a lender formula, helping you qualify even with modest monthly income.

Required Minimum Distributions (RMDs)

How do Required Minimum Distributions (RMDs) factor in? With documentation, RMDs can count as qualifying income. Timing and account statements matter.

Reverse Mortgage Options

HECM for Purchase

What is a HECM for Purchase (reverse mortgage purchase)? A FHA-insured reverse mortgage that lets buyers 62+ make a large down payment, skip monthly principal and interest, and live in the home as a primary residence while paying taxes/insurance/HOA.

How much down is typical for HECM for Purchase? Often 45-70% depending on age and rates. The older you are, the lower the required cash.

Considerations & Alternatives

What are the risks of a reverse mortgage? You must occupy the home, keep taxes/insurance/HOA current, and maintain the property. Failure can trigger default. Heirs will need to satisfy the loan at payoff.

Are jumbo reverse mortgages a thing? Yes. Non-FHA reverse products can cover higher-priced homes. Terms vary widely.

Conventional Financing for Retirees

Traditional Mortgages

Can retirees get conventional loans with 15% or 20% down? Yes, if income, assets, credit, and DTI fit guidelines. Reserves may be required.

Investment & Seasonal Income

What if my income is seasonal or from investments? You'll need a documented history. Lenders may average dividends, interest, RMDs, annuities, or require proof of sustainability.

Home Equity Lines

Can I use a HELOC in retirement? Yes, if you qualify. It adds payment risk in rate-rise cycles. Have an exit plan.

Interest-Only Options

Are interest-only loans smart for retirees? They lower initial payments but add balloon/refi risk and slower principal reduction. Use with caution.

Strategic Financing Decisions

Cash vs. Financing

Should I pay cash or finance? Run the math. Financing preserves liquidity and potential investment returns. Cash removes rate risk and monthly payments. Many retirees prefer a low LTV loan to keep options open.

Trust-Owned Assets

Can I qualify using a trust-owned asset? Often yes, if the trust and assets are properly documented and you're the beneficiary. Title and vesting must match lender requirements.

Making the Right Choice

Compare Total Cost of Ownership

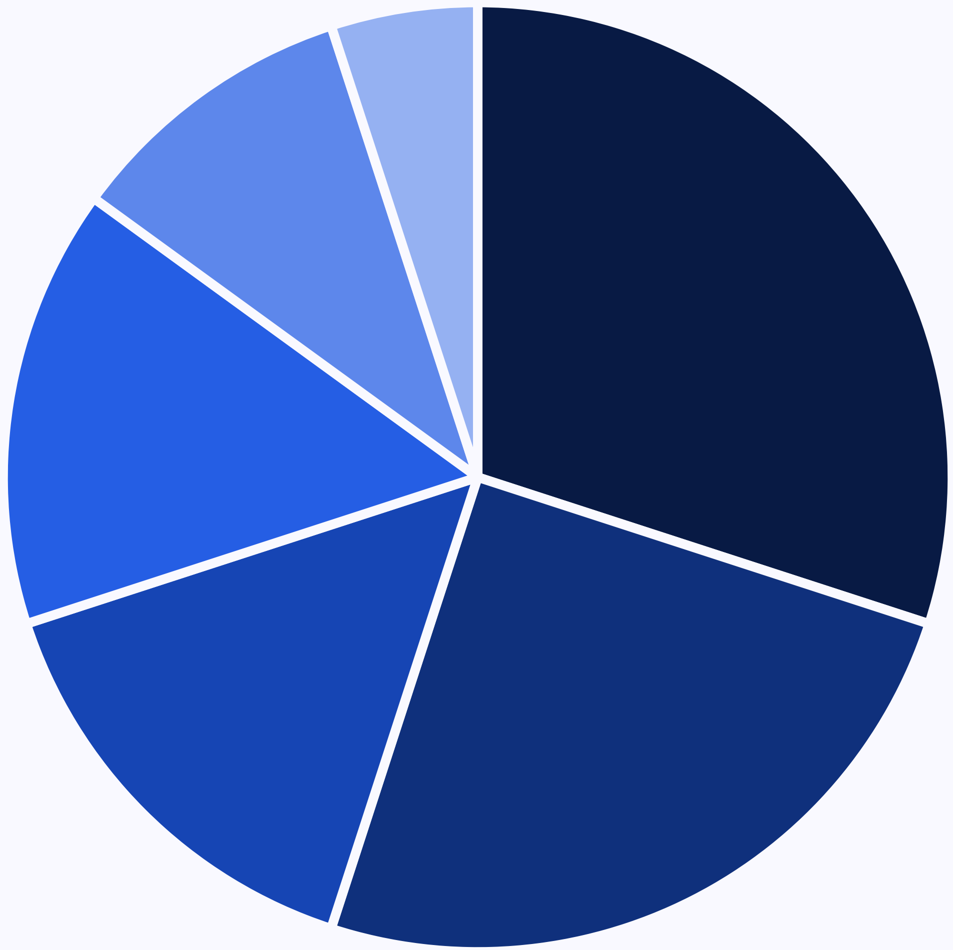
How do I compare total cost of ownership between loan types? Look at APR, payment schedule, mortgage insurance, points, and tax impact. Model 5-, 10-, and 15-year scenarios, not just month one.

Consult with Experts

Who should I talk to first? A lender experienced with retirees, plus your CPA and financial planner. Align the mortgage with your withdrawal strategy and risk tolerance.

Key Considerations for Retirement Mortgages

Retirement Income Sources for Mortgage Qualification



Social Security | Pensions | RMDs | Investment Income | Asset Depletion | Part-time Work

Note: Actual weighting varies by lender and individual financial situation

Reverse Mortgage vs. Conventional Financing

Reverse Mortgage Benefits

- No monthly principal and interest payments
- Qualification focuses on property more than income
- Preserves cash flow for other expenses
- Loan is repaid when you sell, move, or pass away

Conventional Loan Benefits

- Lower closing costs and fees
- Builds equity with each payment
- No occupancy requirements
- More flexibility for heirs and estate planning

Next Steps for Retirement Mortgage Planning

Assess Your Finances

Review your retirement income sources, assets, and long-term financial goals

Consult Your Team

Meet with financial planner, CPA, and mortgage lender experienced with retirees

Compare Options

Evaluate conventional, reverse, and cash purchase scenarios over 5-15 year periods

Make Your Decision

Choose the option that best balances your cash flow, liquidity, and legacy goals