

Ask The Broker

Q and A

By Jim Chubb

Good And Bad News On Reverse Mortgage Costs

Q: I am a disabled person with low income and high equity in my home. Since I do not want to sell at this time, I have been shopping for a reverse mortgage that will eliminate my house payment. Most of the offers I have gotten have included the requirement that I gut my savings by contributing over \$50,000.00 to the payoff of my mortgage. I was shocked when I consulted with you and had that required contribution cut to under \$22,000.00. How can your terms/cost be so much BETTER than some other reverse mortgage sources? Are you sure that you have not made a mistake?

A: Well...No mistake on my end and I have to tell you that I cannot comment on quotes that you get from others. AND, the BAD NEWS for reverse mortgage shoppers is that reverse mortgage pricing allows loan officers to receive up to 9% of the first draw (usually the amount required to pay off the existing mortgage) and charge around \$9000.00 in commissions and third party fees as well. THIS MEANS THAT THE DIFFERENCE BETWEEN REVERSE MORTGAGE SOURCES CAN BE TENS OF THOUSANDS OF DOLLARS OF FUNDS THE BORROWERS ARE REQUIRED TO CONTRIBUTE TO THE PAYOFF OF THE EXISTING MORTGAGE. When a loan officer is making a gigantic commission, you can bet that 1) the adjustable rate is HIGHER because of the high commission being paid AND THE EQUITY IN THE HOME WILL BE REDUCED AT A MUCH HIGHER RATE; 2) the borrower is paying closing costs that could have been waived if the loan officer was willing to take LESS commission; 3) the borrower is being required to PAY THOUSANDS MORE TO OBTAIN THE LOAN THAN THEY REALLY NEED TO PAY. I cannot comment on what other lenders charge or how much they are making. What I CAN tell you is that I firmly believe that many people would not be happy if they fully understood how much their loan officer/reverse mortgage lender is making and how much it is really costing them in one way or another. The GOOD NEWS for reverse mortgage shoppers is that MY REVERSE MORTGAGE PRICING IS EXPLAINED, USER FRIENDLY AND FULLY DISCLOSED WELL BEFORE THE LOAN IS FUNDED (no surprise windfall for the loan officer) AND I STAND BEHIND MY REVERSE MORTGAGE QUOTES. Call me at 475-2600 or send email to jchubb1@gmail.com for RELIABLE information on reverse mortgages for individual situations. From what I can tell, if you want or need a reverse mortgage you will be really glad if you do.

Jim Chubb has been a mortgage and real estate consultant and a top mortgage originator in Santa Cruz County for 30 years. Jim welcomes your questions regarding real estate and mortgage strategies, problems and necessary financial solutions. You can send email to jchubb1@gmail.com or call him at 475-2600

