



February 2018 Newsletter

Is a reverse mortgage right for you?

Sources: Federal Trade Commission; U.S. Department of Housing and Urban Development (HUD)

If you are 62 years old or older and have significant equity in your home, you may want to consider a reverse mortgage. People use reverse mortgages to pay off their “regular” mortgages, or to get money to supplement their income, or pay for healthcare expenses.

A reverse mortgage allows you to convert part of your home’s equity into cash without having to sell your home or pay monthly mortgage payments.

But a reverse mortgage can use up the equity in your home, so that there is nothing to leave to your heirs, if that is important to you. Also, you still must live in the home, maintain the home, and pay taxes, homeowner’s insurance and homeowner’s association dues.

How do reverse mortgages work? With a regular mortgage, you pay monthly mortgage payments to your mortgage lender. With a reverse mortgage, depending upon how much equity in the home that you have, your reverse mortgage lender pays you. Reverse mortgages take part of the equity in your home and convert it into payments to you—a kind of advance payment on your home’s equity.

And the money you receive is usually tax-free. Generally, you don’t have to repay the money as long as you live in the home. When you die, sell your home, or move out, either you, your spouse, or your estate would repay the loan, often through selling the home. Any remaining equity left after selling it is yours (or your heirs) to keep.

If you or your heirs can’t or won’t sell the home when you die or move out, usually because you owe more on the home than it is worth, the home is foreclosed upon. But if you live in Texas, in no case will you, your estate or your heirs owe any more money on the home. Reverse mortgages in Texas are “non-recourse” loans.

We have had elderly clients use reverse mortgages to avoid foreclosure. If they have enough equity, they can take out a reverse mortgage (which does not require a credit check), pay off their existing mortgage loan(s), and live in their home for the rest of their life,

without having to pay mortgage payments. It sounds like a “no-lose” proposition, but there are some things to consider about reverse mortgages:

1. There are stiff fees and costs for originating the loan and closing costs, as well as servicing fees. For federally insured reverse mortgages (called HECMs for Home Equity Conversion Mortgages) there are (see **Reverse Mortgages next page**)



Quotes:

Know the true value of time; snatch, seize, and enjoy every minute of it. No idleness, no laziness, no procrastination. Never put off tomorrow what you can do today.

—Phillip Stanhope

It is better to look ahead and prepare, than to look back and regret.

—Jackie Joyner-Kersey

Be the reason someone smiles today.

—Author Unknown

Our law firm is a federally designated Debt Relief Agency under the United States Bankruptcy Laws. We help people find answers to their debt problems, including when necessary, helping them file bankruptcy under the United States Bankruptcy Code.



Should you just say goodbye to credit?

I have several clients that have filed bankruptcy and then sworn off using credit at all. That's fine, and I certainly understand why they do that. Since credit got them in trouble to begin with, they believe they should cut up their credit cards and use cash-only.

But if you are concerned about your credit score, or obtaining credit in the future, it's necessary to use some credit to have and/or rebuild a good credit score. Besides, your credit score is used for many purposes, not just obtaining credit. Your credit can be important for obtaining insurance, employment, renting a house or apartment, and

(Reverse Mortgage from first page) also mortgage insurance premiums (MIPs). But all of these costs are typically added to the loan, and only have to be paid when the home is sold or you pass away, from the proceeds of a foreclosure of the property.

2. **You owe more over time.** Interest accrues on your loan balance over time, so the amount that you owe grows each month, unlike a regular mortgage. But again, you only owe it from the proceeds of sale of the house, and you don't have to pay payments so long as you live in it.
3. **Interest rates may change over time.** Most reverse mortgages have variable rates, so the interest rate may increase over time.
4. **Interest is not tax deductible each year.** Interest on reverse mortgages can't be deducted each year, since you aren't paying it. But it can be deducted if and when the loan is paid off.
5. **You have to pay the other costs related to your home.** As I stated above, you must pay your property taxes, keep the home insured and keep it maintained while you have a reverse mortgage, or you can be declared in default and the reverse mortgage lender can foreclose.
6. **What happens to your spouse?** With HECM loans, if

they are even beginning to use it for determining the rates to charge you for utilities.

It's important to have some good credit reporting to the credit bureaus because they place more emphasis on recent behavior than past behavior. You may have had credit trouble in the past or even a bankruptcy, but your credit score will start to increase as the negative reports begin fading into the past.

But this assumes that you have given the credit bureaus new and improved information about your payment and spending habits. Think about it as if you failed a test when you were a sophomore in high school. But after that, if your test scores were good, by the time your junior and senior years rolled around, the F grade on one test will likely not matter that much.

It's the same with credit. If you take the right steps, all the F's won't matter in 12-24 months, because you will have a new and improved history of earning A after A.

According to credit expert Phillip Tirone, one of the fastest ways to rebuild your credit score is to have at least three active, major revolving credit cards, meaning Visa, MasterCard, American Express, or Discover. Not sure which ones to apply for, or which ones will likely approve you?

Mr. Tirone teaches you that and more in his course, "7 Steps to a 720 Credit Score" available at 720creditscore.com. His course costs as much as \$1000 on his website. But if you are one of our clients, we have licensed this course for your use, at no cost. Are you ready to rebuild your credit after bankruptcy or after a credit meltdown? Just call Ashley at 713-772-8037 and request the 720 credit course. ■

you signed the loan paperwork and your spouse didn't, in certain situations, your spouse may continue to live in the home even after you die if he or she pays taxes and insurance, and continues to maintain the property. But your spouse will stop getting money from the HECM, since he or she wasn't part of the loan agreement.

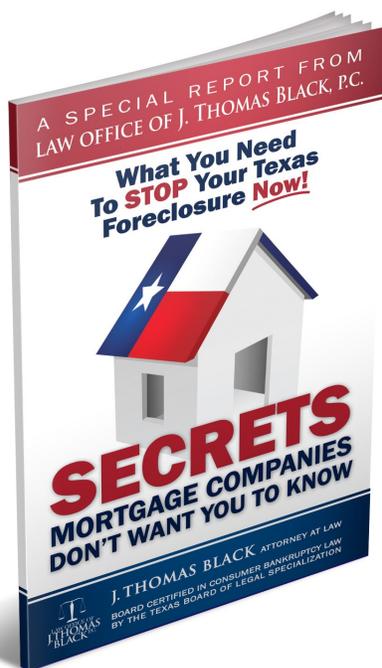
7. **What can you leave to your heirs?** Reverse mortgages can use up the equity in your home, which means fewer assets for you and your heirs. Most reverse mortgages (including all Texas reverse mortgages) have something called a "non-recourse" clause. This means that you, or your estate, can't owe more than the value of your home when the loan becomes due and the home is sold. With a HECM, generally, if you or your heirs want to pay off the loan and keep the home rather than sell it, you would not have to pay more than the appraised value of the home.

There is a lot to consider before deciding if a reverse mortgage is right for you. Be wary of sales pitches for reverse mortgages. If you don't understand the cost or features, walk away. Find a counselor or company that you are comfortable with. ■

Keep your career moving forward

You may love your job now, but you can't take it for granted. Job security is uncertain, and smart people are prepared for changes in their career path at a moment's notice. Here's advice for staying afloat no matter how stormy it gets:

- **Audit your career documents.** Is your résumé current? Does it spell out what you've done to add measurable value, instead of just listing your various job titles over the years? Be sure



Is your mortgage company or homeowner association threatening foreclosure? Call our office for an appointment with one of our attorneys to discuss your options right away! Or request our Special Report, "What You Need to Stop Your Texas Foreclosure Now! Secrets Mortgage Companies Don't Want You to Know" from the office or download it instantly at jthomasblack.com.

that your references are up to date and that you have some good stories to tell about how your work has contributed to your employers' success.

- **Network.** Devote some time every week to making connections within your industry. The more people who know what you're capable of, the better positioned you are for any sudden transitions.

- **Become active.** Join relevant professional and trade associa-

tions, and take a leadership role wherever you can: Serve on committees, help with marketing efforts, etc. Don't just show up for meetings and sit there.

- **Market your expertise.** Write articles for trade publications, blogs, and websites to get your name out there. Volunteer to speak to schools or local community groups about your profession and industry. The more visibility you have, the better.

- **Keep developing your skills.** Sign up for courses and seminars on any skills that might help you do your job better. A commitment to self-development appeals to potential employers who like to see initiative.

- **Contribute more.** Look for ways to help your organization, your co-workers, your managers, and your networking contacts. A reputation for pitching in wherever you're needed will yield benefits throughout your career. ■

Thank you for your referrals!

We accept cases in the following areas*

Chapters 7, 11 & 13 Bankruptcy.

I.R.S. Settlements and Payment Plans.

Stop Foreclosure and Repossession.

Debt, Lawsuit & Judgment Settlements.

Serious Accidents and Injuries.

Student Loan Help.

Family Law.

Wills and Trusts, Powers of Attorney

*certain cases may be referred.

ARE YOU IN CHAPTER 13 NOW?

PLEASE always keep the law office updated with your current address, telephone numbers, and email address. We may need to reach you quickly.

You can check on the status of your Trustee payments, how much you still owe on your case, etc., by going to www.ndc.org to set up your user ID and password.

Are your chapter 13 plan payment too high? Lose job or overtime? It may be possible to surrender property or if your situation has changed to lower your payments. If this is your situation, contact our office for an appointment to prepare a Motion to Modify.

J. Thomas Black was licensed as an attorney in Texas by the Texas Supreme Court in May, 1982. Mr. Black is Board Certified in Consumer Bankruptcy Law by the Texas Board of Legal Specialization.



Woodlake Plaza
2600 S Gessner Ste 110
Houston TX 77063-3214

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A Little Humor – The “Pirate walked into a bar” edition...

A pirate walked into a bar and the bartender said: “Hey, I haven’t seen you in a while. What happened? You look terrible.”

“What do you mean?” said the pirate, “I feel fine.”

Bartender: “What about the wooden leg? You didn’t have that before.”

Pirate: “Well, we were in a battle and I got hit with a cannon ball, but I’m fine now.”

Bartender: “Well, okay, but what about that hook? What happened to your hand?”

Pirate: “We were in another battle. I boarded a ship and got into a sword fight. My hand was cut off. I got fitted with a hook. I’m fine, really...”

Bartender: “What about the eye patch?”

Pirate: “Oh, one day we were at sea and a flock of birds flew over. I looked up and one of them pooped in my eye.”

Bartender: “You’re kidding, you lost an eye just from bird poop?”

Pirate: “It was my first day with the hook.”