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In the News...

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Reverse mortgage volume nearly doubles from last year

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Washington, D.C. — Fueled by rising home values, larger sales forces and increased consumer acceptance, the number of federally insured reverse mortgages made in the U.S. in 2006 grew 77 percent, according to the National Reverse Mortgage Lenders Association. During the most recent federal fiscal year, ending Sept. 30, the Federal Housing Administration (an arm of the U.S. Department of Housing and Urban Development), insured 76,351 Home Equity Conversion Mortgages compared to 43,131 the prior year.

"More seniors are recognizing that traditional retirements tools, such as IRAs, pensions and 401(k)s are not providing sufficient income to help fund everyday living expenses and healthcare," said Peter Bell, President of NRMLA. "Through proper education, more retirees are recognizing that the home they have lived in for so many years can now take care of them by using a reverse mortgage to access the equity accumulated over 20, 30, 40 years, to help them living more comfortably."

A reverse mortgage is a loan that enables homeowners 62 or older to borrow against the equity in their home, without having to sell the home, give up title or take on new monthly mortgage payments. Loan proceeds can be used for any purpose and taken out as a lump sum, fixed monthly payments, line of credit (except in Texas) or a combination. The loan amount depends on the borrower's age, current interest rates and the value and location of the home. A reverse mortgage does not have to be repaid until the borrower moves out of the home permanently and the repayment amount cannot exceed the value of the home. After the loan is repaid, any remaining equity is distributed to the borrower or the borrower's estate.

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A senior's home does not have to be owned free and clear to qualify for a reverse mortgage.

The Santa Ana metropolitan area displaced Los Angeles as the top reverse mortgage market in the country with 5,825 loans funded (compared to 3,067 in 2005), followed by Los Angeles (5,758 compared to 3,915 in 2005); Sacramento (3,625 compared to 2,161); Coral Gables (3,577, compared to 1,387); San Francisco (3,353, compared to 2,040); New York City (2,492, compared to 1,454); Fresno (2,461, compared to 942); Phoenix (2,438 compared to 720); Boston (2,263 compared to 1,148); and Denver (1,947 compared to 1,515) to round out the top 10.

NRMLA attributes the explosive growth to several factors, including high home appreciation rates in many parts of the country, which allow seniors to access greater amounts of equity; more lenders offering the product (NRMLA now represents about 500 firms nationwide

compared to 370 last year at this time); and greater acceptance of reverse mortgages as a wealth management tool.

Indeed, the government's top housing official, Brian Montgomery, who serves as FHA Commissioner and Assistant Secretary of Housing at HUD, commented at NRMLA's annual meeting in September that he anticipates reverse mortgages will one day be as commonplace as 401(k)s and other retirement planning tools.

"HUD has gone to great lengths to educate community leaders and senior advocates about the potential benefits of reverse mortgages, which has helped make more people comfortable with recommending the product to their elderly clients," Bell said. "I think Commissioner Montgomery deserves as much credit as anyone for helping to make reverse mortgages a more mainstream financial planning tool."

For a free information booklet on reverse mortgages called Just the FAQs: Answers to Common Questions About Reverse Mortgages distributed by Home Savings Mortgage, call (800) 648-9198 toll-free or on the Web through the NRMLA's Web site at <http://www.reversemortgage.org>.

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OFG: The American Dream is to own a home free and clear. However, with no mortgage payment and nearing retirement, many retirees find themselves “house rich” and cash poor. By following traditional wisdom, a reverse mortgage forces you to rely on the equity you’ve exhaustively spent the last 30 years paying off to now fund your retirement on the banks terms.

But what if during those 30 years your equity was separate and secure in a safe, liquid side account earning a reasonable rate of return that would grow to an amount that could pay off your mortgage many times over, while maximizing your tax deductions, and fund your retirement without fear of outliving your income?

This article clearly validates the myth-conceptions behind traditional financial wisdom and the need for alternative strategies like those illustrated in the *Missed Fortune* book series by Douglas Andrew. To learn more about these alternatives, please register for one of our upcoming seminars at www.oganfinancialgroup.com