

## Pros and cons of reverse mortgages



JASON ALDERMAN  
MONEY MATTERS  
Visa columnist

During the last decade, reverse mortgages have been marketed as an easy way for seniors to cash in their home equity to pay for living expenses. Many have learned, however, that improper use of the product — such as pulling all their cash out at one time to pay bills — has led to significant financial problems later, including foreclosure.

In actuality, there are some cases where reverse mortgages can be helpful to borrowers. However, it is imperative to do extensive research on these products before you sign.

Reverse mortgages are special kinds of home loans that let borrowers convert some of their home equity into cash. They come in three varieties: single-purpose reverse mortgages, Home Equity Conversion Mortgages and proprietary reverse mortgages.

Who can apply? Homeowners can apply for a reverse mortgage if they are at least 62 years old, own their home outright or have a low mortgage balance that can be paid off with the proceeds of the reverse loan. Qualifying homeowners also must have no delinquent federal debt, the financial resources to pay for upkeep, taxes and insurance and live in the home during the life of the loan.

Consider the following pros and cons as a starting point for trying or bypassing this loan choice. Even though HECM loans require a discussion with a loan counselor, you should bring in your own financial, tax or estate advisor to help you decide whether you have a safe and appropriate use for this product.

Pros of reverse mortgages:

- They're a source of cash. Borrowers can select that the amount of the loan be payable in a lump sum or regular payments.
- Proceeds are generally tax-free. Final tax treatment may rely on a variety of personal factors, so check with a tax professional.
- Generally, they don't impact Social Security or Medicare payments. Again, important to check personal circumstances.
- You won't owe more

than the home is worth. Most reverse mortgages have a "nonrecourse" clause, which prevents you or your estate from owing more than the value of your home when the loan becomes due and the home is sold.

- Reverse mortgages may be a smarter borrowing option for some downsizing seniors. With proper advice, some borrowers use them to buy new homes.

Cons of reverse mortgages:

- You may outlive your equity. Reverse mortgages are viewed as a "last-resort" loan option and certainly not a singular solution to spending problems.
- You and your heirs won't get to keep your house unless you repay the loan. If your children hope to inherit your home outright, try to find some other funding solution (family loans, other conventional loan products) first.
- Fees can be more expensive than conventional loans. Reverse mortgage lenders typically charge an origination fee and higher closing costs than conventional loans. This adds up to several percentage points of your home's value.
- Many reverse mortgages are adjustable rate products. Adjustable rates affect the cost of the loan over time.
- If you have to move out for any reason, your loan becomes due. If you have to suddenly move into a nursing home or assisted-living facility, the loan becomes due after you've left your home for a continuous year.

Bottom line: Reverse mortgages have become a popular, if controversial, loan option for senior homeowners. For some, they may be a good fit, but all applicants should get qualified financial advice before they apply.

— Jason Alderman directs Visa's financial education programs. To Follow Jason Alderman on Twitter: [www.twitter.com/PracticalMoney](http://www.twitter.com/PracticalMoney)

**"Bottom line: Reverse mortgages have become a popular, if controversial, loan option for senior homeowners. For some, they may be a good fit, but all applicants should get qualified financial advice before they apply."**



SEAN HART PHOTOS

Real Business Solutions owner Carol Frink said she 'teaches business owners business skills' primarily using the phone and computer, but also in person at her new office, 505 E. Main St., Hermiston. A grand opening celebration and a first anniversary celebration for Home Town Mortgage Group, in the same building, begins at 5 p.m. Thursday.

## Downtown Hermiston businesses celebrating

### Real Business Solutions, Home Town Mortgage Group event planned Thursday evening

BY SEAN HART  
HERMISTON HERALD

Two businesses in one building in downtown Hermiston are hosting a joint celebration tomorrow evening that is open to the public.

Real Business Solutions LLC is celebrating a grand opening and Home Town Mortgage Group is celebrating its first anniversary from 5 p.m. to 8:30 p.m. Thursday in their building, 505 E. Main St.

Melisa Webb, who operates Home Town Mortgage Group with Kim Arbogast, said the business has been in operation for almost four years but moved into this new building a little more than a year ago.

"It's definitely become a corner of activity," she said of the location. "This part of Main Street didn't have as much traffic, and Main Street businesses are always looking for that hype. We just want people to know we're here and to come visit and hang out and know what we do."

She said the event will feature wine, beer, cupcakes and live music.

Real Business Solutions owner Carol Frink said she started her business from her home in 2012 and moved into the building last year. She invited people to "enjoy a really fun evening" at the celebration Thursday.

After outgrowing her space at home, Frink said the location on Main Street has worked out well, and she plans to expand later this year to utilize a conference room within the same



Real Business Solutions owner Carol Frink sits at the desk of her office, where she will celebrate a grand opening from 5 p.m. to 8:30 p.m. Thursday, 505 E. Main St., Hermiston.

building.

Frink said, when she managed Bank of America years ago, she hired Webb so she could get her start in the mortgage business, and it was "meant to be" they should end up in the same building again.

"It just feels so cool to be here in the same building," she said. "We worked together for so many years. The renovation of this building is just awesome."

Frink said Real Business Solutions works with business owners, teaching them skills to improve their operations, primarily using the phone and computer, but also in person. She said she has clients locally and throughout the nation.

"I teach business owners business skills," she said. "Businesses are really clear on their product and service. They're really good at working in their business. That's important, but you can only get so far working in your business. It's a mix of working in it and on it."

She said business owners need to have a direction and a business structure and that personal goals must align with business goals. She said this helps deter-

### Joint business celebration on tap

Real Business Solutions LLC is celebrating a grand opening and Home Town Mortgage Group is celebrating its first anniversary from 5 p.m. to 8:30 p.m. Thursday in their building, 505 E. Main St., Hermiston. The event will feature hors d'oeuvres, local wine tasting and music.

mine a business's products and services.

Frink said a business should then narrowly determine and define who its ideal clients are and create a specific marketing message and a plan to reach those clients.

From there, she said, she focuses on helping business owners understand their finances.

"You've got to understand your money and what it's telling you," she said. "You need to understand your revenue, your cost of goods sold, your gross profit margin, your expenses, breaking even. You've

got to know if you've got a profitable business, and the only way to do that is to have an income statement that tells you that — not at the end of the year, this shoe box that you take and hand to the accountant and say good luck."

Frink said a business's cash flow numbers "tell a real story about what's going on" that is important to know.

"All those pieces fit perfectly together. When one's out of alignment, it throws the others out of alignment," she said. "Once you develop your business muscle, you can literally get whatever you want from your business, and until you do that, you can't. You stay stuck. You stay small. You stay in the same patterns that don't serve you well."

It is also important, she said, for business owners to be connected to "other like-minded business owners."

For more information about Real Business Solutions, call 541-720-1001, or visit <http://www.real-businessolutionsllc.com/>. For more information about Home Town Mortgage Group, call 541-564-5900.

### BUSINESS BITES

#### Grand opening planned at Hermiston bank

A grand opening and ribbon-cutting ceremony for Umpqua Bank will take place at noon today at the bank, 450 N. First St., Hermiston.

#### Fitness center to cut ribbon

A ribbon-cutting ceremony for Higher Power Fit-

ness Center will take place at noon Jan. 26 at Cornerstone Court, Suite 202, 1055 S. Highway 395, Hermiston.

#### Business luncheon scheduled

The Hermiston Chamber of Commerce will host a Business to Business Luncheon beginning at 11:45

a.m. Jan. 27 at the Hermiston Conference Center, 415 S. Highway 395. Oregon Rep. Greg Barreto, House District 58, will speak. The luncheon will be catered by Pudding on the Ritz. The cost is \$10 for chamber members and \$13 for non-members. To R.S.V.P., call 541-567-6151. The luncheon is one activity during the Oregon Water Coalition conference, which will take place from 8:30 a.m. to 3 p.m.

## Hermiston Herald

VOLUME 109 • NUMBER 4

To contact the Hermiston Herald for news, advertising or subscription information:  
• call 541-567-6457  
• e-mail [info@hermistonherald.com](mailto:info@hermistonherald.com)  
• stop by our offices at 333 E. Main St.  
• visit us online at [www.hermistonherald.com](http://www.hermistonherald.com)

**ANNUAL SUBSCRIPTION RATES**  
Delivered by carrier and mail Wednesdays and Saturdays  
• call 541-567-6457  
• e-mail [info@hermistonherald.com](mailto:info@hermistonherald.com)  
• stop by our offices at 333 E. Main St.  
• visit us online at [www.hermistonherald.com](http://www.hermistonherald.com)

The Hermiston Herald (USPS 242220, ISSN 8750-4782) is published twice weekly at Hermiston Herald, 333 E. Main St., Hermiston, OR 97838, (541) 567-6457, FAX (541) 567-1764. Periodical postage paid at Hermiston, OR. Postmaster, send address changes to Hermiston Herald, 333 E. Main St., Hermiston, OR 97838. A member of the EO Media Group Copyright ©2015



JESSICA KELLER  
EDITOR  
[jkeller@hermistonherald.com](mailto:jkeller@hermistonherald.com)  
541-564-4533



MAEGAN MURRAY  
REPORTER  
[mmurray@hermistonherald.com](mailto:mmurray@hermistonherald.com)  
541-564-4532



SEAN HART  
REPORTER  
[smhart@hermistonherald.com](mailto:smhart@hermistonherald.com)  
541-564-4534



SAM BARBEE  
SPORTS REPORTER  
[sbarbee@hermistonherald.com](mailto:sbarbee@hermistonherald.com)  
541-564-4542



STEPHANIE BURKENBINE  
MULTI-MEDIA CONSULTANT  
[sburkenbine@hermistonherald.com](mailto:sburkenbine@hermistonherald.com)  
541-564-4538



JEANNE JEWETT  
MULTI-MEDIA CONSULTANT  
[jjewett@hermistonherald.com](mailto:jjewett@hermistonherald.com)  
541-564-4531



Printed on recycled newsprint