HOW YOU CAN GET A MORTGAGE IN RETIREMENT

If you're retired and thinking about buying a home, you might think that if you're lacking income without a paycheck, you won't be able to qualify for a mortgage.

Okay, stop right there. And say it with us: *You can still get a mortgage when you're retired*.

In this guide, we'll break down these three common options that can help you get a mortgage in this next phase of your life:

- **Drawing down from retirement**
- **Asset depletion**
- **Grossing up non-taxable income**

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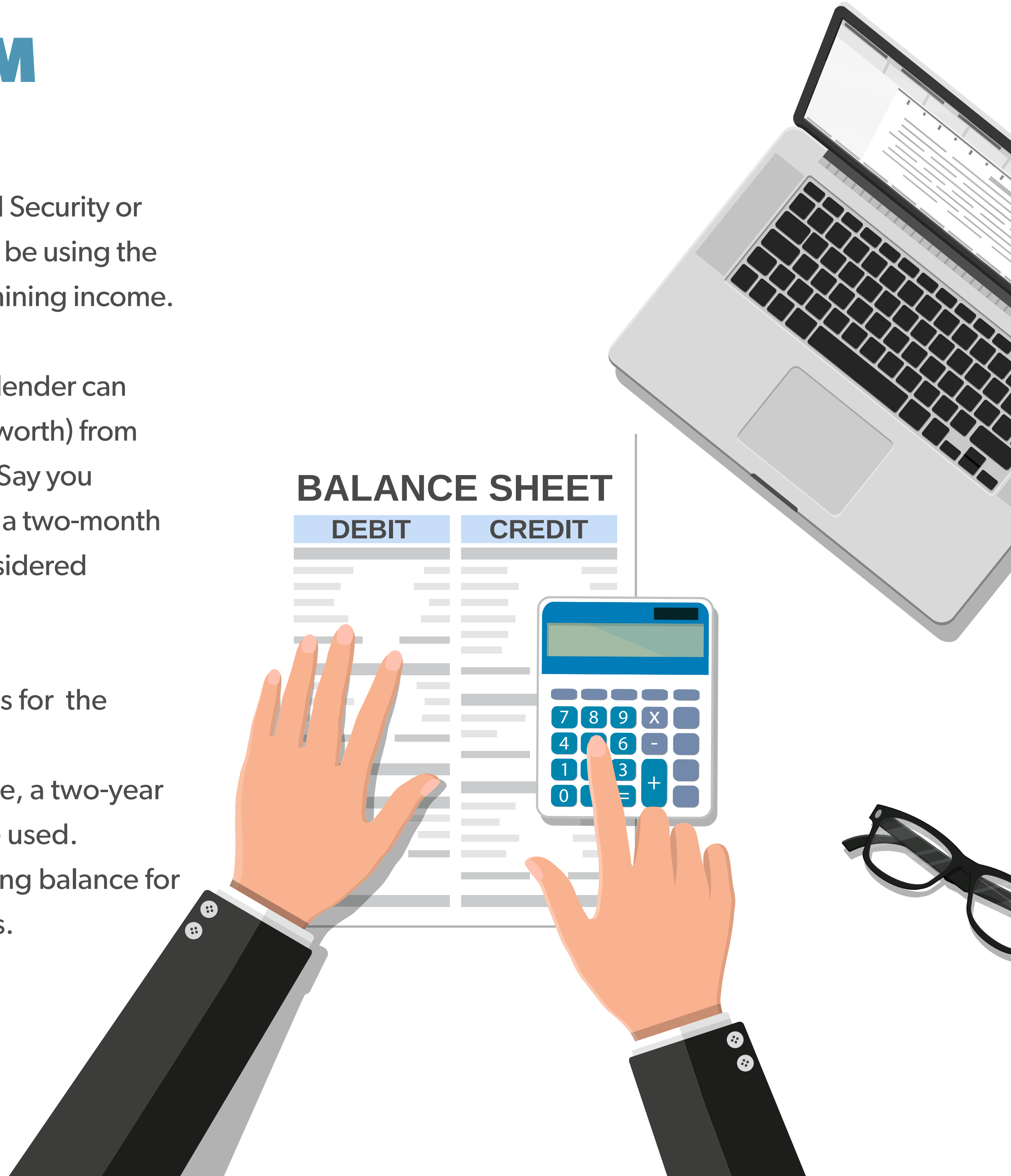
DRAWDOWN FROM RETIREMENT

If you're retired but delaying the start of Social Security or pension income, the most ideal option would be using the drawdown from retirement method of determining income.

As long as you're at least 59½ years of age, a lender can use recent withdrawals (at least two months' worth) from your retirement accounts as proof of income. Say you withdrew $4,000 from your IRA account over a two-month period. That $2,000 per month could be considered monthly income.

KEEP IN MIND There are some requirements for the drawdown method:

- Useless you have a regular draw schedule, a two-year history of the account draws needs to be used.
- There will need to be a sufficient remaining balance for the draw level to continue for three years.



ASSET DEPLETION

For retirees with a lot of invested assets, the asset depletion method of determining income may work well. Typically, these assets are cash, investment accounts, and retirement accounts.

With this method, the lender determines 70% of the current value of your financial assets (including stocks, bonds, or mutual funds — not cash equivalent assets), subtracts any amount to be used for a down payment and closing costs, then divides the remaining amount by 360 months (for a standard 30-year loan). That amount is then added to your monthly income to help you qualify for a mortgage.

KEEP IN MIND You'll need a down payment of at least 30% if you're buying a new home (this helps investors manage risk).

Here's a breakdown of how it works:

YOUR FINANCIAL ASSETS × **.07** (current value minus down payment) − **CLOSING COSTS** = **REMAINING ASSETS**

REMAINING ASSETS ÷ **360 MONTHS** = **AMOUNT YOU CAN ADD TO YOUR MONTHLY INCOME TO QUALIFY FOR A MORTGAGE**

DID YOU KNOW?

If you've co-signed loans for your adult children, payments on those loans can count as your required debt payments and may reduce your chances of qualifying for a mortgage.

GROSS UP YOUR NON-TAXABLE INCOME

Nontaxable income goes further than earnings that are subject to income tax, and lenders recognize this. Since lenders use gross income to qualify those who have taxable income, someone who has nontaxable income has more at their disposal, since no taxes are being taken out.

For a conventional or VA loan, lenders can typically increase nontaxable income for qualifying purposes by 25% — and 15% for an FHA loan, in most cases. Keep in mind: with a conventional loan, you're required to gross up the confirmed nontaxable amount or 25% if you were recently awarded the nontaxable income or aren't required to file.

KEEP IN MIND

Is your new mortgage for a primary or second home? This will affect your interest rate. (Hint: Primary homes get better rates.)

Getting a mortgage in retirement does present some unique challenges, but by choosing the right route for your finances, it's not impossible. And more than ever, more retired folks are reaching out to mortgage lenders instead of landlords – especially as rent prices continue to rise across the country.

If you're in need of a home loan refresher, you could learn a thing or two from this: **Where to Start When You've Been Out of the Buyer's Market for a While**.

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