David Stacy

Director of Reverse Mortgage Lending

Welcome to February!

With January being a colder-than-normal month, Spring can't come soon enough. Even Texas has seen unseasonably colder weather, but there's a ***change in the air,*** and lots of it.

In 2024, we saw:

- Rates change; they rose, they fell, then rose slightly higher again.
- We saw a change in the popularity of cryptocurrencies
- We saw change in the ***power of celebrity*** and watched it diminish in ways no one saw coming.

(Continued on back page)

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Minsinformation - isn't life hard enough without it?

It seems as though the world is full of misinformation. Everyone wants to spin something. Politics, world affairs, global warmings, Democrats and Republicans; the list goes on and on. Why can't people just tell the truth? And if you don't know about a subject matter, just shut- up and quit talking.

I taught a continuing education class last month for a group of about 100 real estate agents. I was asked to cover reverse mortgages, the misinformation that surrounds them, and how the loan might be used in today's real estate market to help an older clientele.

As always, I try to start with the concept of the reverse mortgage program, then move into misunderstandings and flat-out lies about the program, and then try to cover tips and ideas on how the program might benefit an older homeowner.

I've often heard people say when asked about reverse mortgages, "oh, I wouldn't do that" when asked their opinion; but admittedly, this usually comes from the friend of a borrower. Then they call me wondering if they've made a mistake.

My comment is always the same, when a friend is negative about the idea, you should call them and find out why. Tell them you mentioned it to them because you value their opinion, and that you want to understand why they (the friend) feel this way. Their response is typically the same .... ***"I don't really know anything about it, that's just what I've heard."***

When a real estate professional makes the same statement, it hit's me differently. As a professional, they should be held to a higher standard. To be clear, it's not just real estate professionals; it's financial planners, attorneys, and even accountants.
But I will give most people credit, the more intelligent they are, the less likely they are to make a blanket comment about a subject they know nothing about- in most cases. Even Dave Ramsey is a hard critic. He doesn't give facts, he's just a critic.

He obviously doesn't understand the program and it appears he's never taken time to look into it. But he likes to hear himself talk.

Last week I had a lady call me and told me that her financial planner told her to liquidate her IRA instead of taking out a reverse mortgage which resulted in a $15,000 tax bill. What? In the same week, I had a real estate agent call me wanting to know more; but he admitted that he has always told his clients to steer clear of reverse mortgages – even though he knows little about the program. SMH.

I'll close with a few facts:
1. 80% of people over the age of 65 are homeowners;
2. 65% of homeowners over age 65 do not have a mortgage;
3. The equity in their home is the largest asset for 90% of homeowners over the age of 65;
4. At last estimate, older homeowners held over $15 trillion of home equity.

A reverse mortgage creates liquidity, using your home equity, without a required monthly payment. You might want to think about this program if you ever find yourself financially stressed. Next up, I'll give an example.

Stay safe everyone, and may God bless you all.

— David Stacy

Understanding the Difference Between Adjustable and Fixed-Rate Mortgages.

Before you refinance or buy a new home, it's important to understand all of your options. That's why we're discussing the difference between fixed-rate and adjustable rate mortgages (ARMs).

What's a Fixed-Rate Mortgage?

A fixed-rate mortgage is exactly as it sounds—it's where the interest rate is fixed for a certain period of time. Maybe it's 10, 15 or 30 years—but for the entire length of that mortgage, that interest rate won't change. This appeals to a lot of people because it gives them certainty.

What's an Adjustable Rate Mortgage (ARM)?

An ARM has two components. The first is the fixed component, meaning that the interest rate is fixed for a certain period of time. This can be as short as six months or as long as 10 years. However, they all begin to adjust after that fixed period. They adjust up and down with the market.

Should I Pick an ARM or Fixed-Rate Mortgage?

You might be wondering why you would take an ARM when you could have the certainty of a fixed-rate mortgage? The answer is simple: most ARMs come with a lower interest rate than the fixed-interest rate—and that can be beneficial.

There's also interest rate savings by taking that adjustable rate. For example, if you move in five years, are a first-time home buyer, getting married, or having children, you might strongly consider an ARM and take those savings.

Did you know that the average American moves every nine years and that the average 30-year fixed is on the books for only about five or seven years before people move or refinance?

So paying for 30-year money, which is more expensive, doesn't always make sense—especially if you're in a situation where you might be in a new mortgage sometime in the near future.

If you plan on staying in your home for a long period of time, a fixed mortgage could make the most sense for you.

Working with your Lender will help you understand the pros and cons so you'll be able to match your situation with the right mortgage product.

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From the Inside

"Why must lenders verify employment?"

One of the reasons getting a mortgage can be frustrating is because there's a lot of work that goes on behind the scenes. Most of that work is done by an underwriter who reviews and verifies the mounds of information you have to supply your lender with in order to get a loan.

This underwriting process is complicated because the underwriter has to follow the guidelines of the specific mortgage company, the state, the federal government and the specific investor who is guaranteeing the loan (Fannie Mae, Freddie Mac, the Department of Veterans Affairs, etc.).

What Is Verification of Employment?

One step in the underwriting process is the verification of employment (VOE). The mortgage lender needs to make sure you are and have been employed to ensure they're taking into consideration all of your income sources.

Why Do I Need a Verification of Employment?

Checking your employment early on to make sure you qualify for a loan can save a fair amount of time. Oftentimes your lender will then re-certify your employment right before closing to make sure nothing has changed.

Your lender is required to recheck your employment because a change in jobs can affect your ability to make your monthly mortgage payment. This is why clients are encouraged to avoid changing jobs or doing things like getting a new credit card or auto loan while applying for a mortgage.

How Is My Employment Verified?

Clients can get frustrated with the VOE process because it's not always as simple as just calling your employer and checking a box. To meet government and investor regulations, the underwriter has to call your employer using a phone number that is verified by a third party.

For example, when you supply the number to your employer, the underwriter will often Google it, and confirm that the number shows up as actually connected to the company. The reason for this is to prevent fraud—such as when someone gives us the number of a friend or relative who pretends to be an employer.

This third-party verification requirement can present difficulties when we're working with clients employed by small companies or nonprofits that may not have a website.

Involving the client in the verification process is seen as a conflict of interest. Underwriters must be able to independently verify the phone number and then actually talk to your employer. They can't call your work number, for example, and have you hand the phone to your boss.

The complexities of verifying employment are why clients will sometimes be told, "We're working on your verification of employment." It's just not always as simple as calling a phone number and being done with it. There are proper procedures that must be followed.

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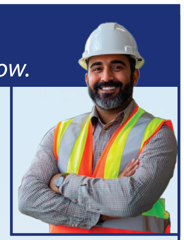
The Contractors Corner

Helpful home owner's tips and tricks you should know.



CORIAN® SINKS, NEW DRAINS... WHY THEY MIGHT LEAK

You may have encountered a Corian® Integrated sink or a Corian® sink that isn't integrated into your counter top. Whether you have a bathroom or kitchen scenario, these surprisingly popular sinks are durable, sleek, and easy to maintain. While they can become pitted and absorb stains with typical user abuse over time, they are easily restored.

If you need to change out the drain basket/strainer, and this is your first experience with a Corian® sink. It's important to know that the very popular and often used plumber's putty doesn't work well on Corian® sinks. A customer with brass drains that had seen better days in a Corian® sink decided to replace them with simple stainless steel drain baskets. While this is an inexpensive operation with parts available from any home store, they offer the ability to get past the register for under twenty dollars for both the drain basket, and plumber's putty.

If you're used to ceramic, ceramic-coated metal, or stainless steel sinks, and have installed a new drain, chances are, you've used plumber's putty and it works beautifully. In the case of Corian® sinks, you may be surprised by water under the sink, and possibly on the floor. Plumber's putty doesn't seal as well on Corian® and therefore isn't suggested for Corian® sinks. Silicone is the fool proof answer and is easy to work with.

This isn't widely known amongst the average homeowner and this tip will save time and frustration if you need to replace a drain in a Corian® sink. We've seen folks run into this problem often enough to no longer keep it a secret. If done correctly, the cleaning products under the sink and your floors will remain clean and dry.

Some home improvement and repairs are best handled by a qualified and licensed professional. Please seek professional advice before attempting

Should I Cancel My Unused Credit Cards?

It's tempting to cancel unused credit cards to declutter and curb spending, but in most cases, it's better to keep them open. Keeping unused cards open can help boost your credit score by contributing to longer credit history and a lower credit utilization rate. If you prefer not to use the card regularly, you can still keep it active with occasional small purchases or recurring payments. However, there are valid reasons for canceling a credit card, even with the potential impact on your credit score. If the card has an annual fee you can no longer afford or you're worried about overspending, closing the card may be a sensible decision.

Below are some key things to consider before deciding whether to cancel an unused credit card.

How Canceling Credit Cards Affect Your Credit Score: When you cancel a credit card, it can affect your credit score in different ways. Here's what to consider:

Positive Payment History Stays On Your report: Ideally, you should close a card that's in good standing, meaning no late or missed payments. If so, the account stays on your credit report for 10 years, and its positive payment history continues to benefit your credit score during that time.

Increased Credit Utilization: One of the most significant impacts of canceling a credit card is a potential increase in your credit utilization rate. When you close a card, you reduce your total available credit, and any existing balances on other cards become a larger portion of your available credit.

For example, if you have two cards—a $2,000 card and a $3,000 card, for $5,000 in available credit—and $1,000 in debt, your credit utilization is 20%. If you close the $2,000 card, your available credit drops to $3,000, pushing your utilization rate to 33%. Since credit utilization makes up 30% of your FICO® Score, this change can have a noticeable negative impact. Experts recommend keeping your utilization below 30% for the best score.

Reduced Average Age of Accounts: The length of your credit history accounts for 15% of your FICO® Score. Closing an account—especially an older one—lowers the average age of your accounts and can hurt your credit score. However, closed accounts in good standing stay on your report for 10 years, so they continue to count toward your credit history length.

When to Keep an Unused Credit Card Open:

There are situations where it makes sense to keep an unused credit card:

Applying for a Mortgage: If you plan to apply for a mortgage, it's essential to maintain a strong credit profile. Canceling a card could reduce your score temporarily, so it's better to keep accounts open until after you've secured the loan.

No Annual Fee: If the card doesn't charge an annual fee, keeping it open allows you to benefit from increased available credit and a longer credit history without any extra cost. If you're worried about overspending, you can store the card somewhere out of reach.

Small, Manageable Payments: Using the card occasionally for small, recurring expenses—like a subscription service—helps keep the account active. Make sure to pay it off regularly to avoid interest and to prevent the card from being closed by the issuer for inactivity.

When to Cancel an Unused Credit Card

Despite the potential impact on your credit, canceling an unused credit card might be the best option in certain situations:

High Annual Fee: If the card has a high annual fee and you're not using it enough to justify the cost, canceling the card or downgrading to a no-fee version could be the best move.

New Account: If the account is relatively new (opened in the last few months), canceling it won't significantly hurt your credit score, since it hasn't yet affected your credit history in a meaningful way.

Overspending: If you find it difficult to control your spending and having an extra card contributes to the problem, closing the account may help you stick to a stricter budget.

How to Cancel a Credit Card—Follow these steps:

Pay Off the Balance: Bring the balance to zero and make sure all payments are up-to-date.

Move Recurring Payments: Transfer any recurring payments, such as utility bills, to another card.

Request Cancellation: Contact the card issuer to formally close the account.

Destroy the Card: Shred or cut up the physical card to prevent fraud.

Final Thoughts

Generally, keeping credit card accounts open helps maintain a healthy credit score, especially if you plan to apply for new credit soon. However, if you're dealing with high fees or overspending, closing an account might be the better choice. Assess both your spending habits and the potential credit impacts before making your decision

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AFI's Top 25 Movies of All Time

*At #4, **Schindler's List** is a 1993 American epic historical drama film directed and produced by Steven Spielberg and written by Steven Zaillian. Based on the historical novel Schindler's Ark (1982) by Thomas Keneally.*

The film follows Oskar Schindler, a German industrialist who saved more than a thousand mostly Polish–Jewish refugees from the Holocaust by employing them in his factories during World War II. It stars Liam Neeson as Schindler, Ralph Fiennes as SS officer Amon Göth, and Ben Kingsley as Schindler's Jewish accountant Itzhak Stern.

Schindler's List premiered on November 30, 1993, in Washington, D.C., and was released on December 15, 1993, in the United States. Often listed among the greatest films ever made and received widespread acclaim for its tone, acting, atmosphere, score. At Spielberg's direction; it was also a box office success, earning $322.2 million worldwide on a $22 million budget.

It was nominated for twelve awards at the 66th Academy Awards, and won seven, including Best Picture, Best Director and Best Adapted Screenplay. The American Film Institute ranked Schindler's List 8th on its list of the 100 greatest American films and was deemed "culturally, historically or aesthetically significant" by the Library of Congress in 2004.

The American Film Institute (AFI) is an American nonprofit film organization that educates filmmakers and honors the heritage of the motion picture arts in the United States.

"The miracle is this: The more we share the more we have."

— Leonard Nimoy

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In 2025, we've seen:

- Change in the weather: As stated, it's been an unreasonably cold season, with a bit of snow and sleet. Now, there's a change if you live in the South.
- There was an interesting change in the mood of many people; regardless of which side of the political fence you sit on, there was a change in mood just about everywhere.
- A change in administration as diverse as what we're seeing this time means a change in policies that lean towards lower taxes and regulation, which generally equate to lower inflation.

This all sounds good on the surface, but behind the scenes, if inflation is lower, this affects the bond market, which in turn can positively affects mortgage rates.

Putting personal political views aside, this can be very good for the economy and the country. I think it's fair to say that we could use a little financial relief and to that end, ***change is good.***

My goal is to help as many people as possible pick the best options to suit their lifestyle and make sound financial decisions, and I invite this type of change for that reason.

"... it's fair to say that we could use a little financial relief"

They say that January 10th is always an interesting day as that's when New Year resolutions and goals start to wane and weaken.

What ever your goals are, be they personal or financial, it's best to stay diligent, focused, and patient, as this is the best way to make the decisions that are in our best interests.

That's why if you have questions, need insights on reverse mortgages, or want to learn more about them, call me. I'm always here to help, and I look forward to hearing from you.

— David

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