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ill You Still Be Making Mortgage Payments in Your Retirement Year

It seems that times are a' changing when it comes to the mortgage world. It used to be that on average, Americans homeowners would pay off their mortgage debt in roughly 20 years, leaving themselves time in the workforce to save up for retirement. According to a study released in 2005 from the Joint Center for Housing Studies at Harvard University, that is no longer the "norm" for homeowners today.

The study, entitled "Emerging Cohort Trends in Housing Debt and Home Equity," found that more and more homeowners are entering retirement with mortgage loan balances. For example, in 1989, among those homeowners in the 55 to 64 age group, 54% had fully paid off their mortgages. Yet ten years later, in 1998, only 39% of the 55 to 64-year-olds had done so.

Another survey conducted by the Federal Reserve Board found that in 1990 housing debt made up 50% of total debt for those in the 75-plus age group with that amount decreasing in later years. By 2000, housing-debt among the new crop in that age group had risen to 60% of total debt and it appeared to be increasing with age.

The overall trends suggest that people are by-and-large taking on more debt. The Harvard study found that each generation seems to be spending more than the generation before. In 1990, the median housing debt for the first crop of baby boomers, aged 45 to 54, was slightly more than $25,000. A decade later, when the second wave of baby boomers had moved into that age slot, the median housing debt has jumped up to $50,000.

The main cause of this rise in housing debt seems to be a greater use of home equity funds for other financial purposes. Homeowners have taken advantage of low interest rates en masse by refinancing or taking out home equity loans, tapping into their equity and increasing their mortgage loan balances. Whether or not these equity draining trends are healthy depend on the rate of house price appreciation.

During the past five years or so, home appreciation took off in most parts of the country and was through the roof in certain market hot spots. Now that the housing market has significantly cooled, homeowners have less equity to liquefy and use for their other needs. For those already entering their retirement stage, stagnating home price appreciation, may mean there will be less left over for retirement when they sell their home and downsize into a smaller place.

The Harvard study predicted that increasing housing debt, especially among the older age groups, could lead to homeowners delaying their retirement by several years in order to pay off their mortgages. It may also encourage a migration of retirees to low-cost housing regions.

If you have found yourself close to retirement age with a sizeable mortgage balance left to pay, you may have to consider one of these options. Another route you may be able to take is the reverse mortgage. This type of loan basically allows you to receive a stipend from your mortgage lender monthly or in a lump sum to be used for whatever purpose you choose. The loan must be paid off when you vacate the property. If you sell, than you can repay the loan out of the proceeds. If the home is vacated as a result of your death, the loan is either repaid by your heirs or the lender sells the home to recover the loan. You must meet certain age requirements and there is a limit on the amount of money you can get from a reverse

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mortgage, but it may be a valuable resource to help you in your retirement years.

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