

Hypothetical House Mortgage

House value: \$600,000

Real estate taxes: \$6,000/year, \$500/month

Property insurance: \$1,000/year, \$83/month

Mortgage: \$300,000 (50% LTV), 3%, 30 years

Principal and interest: \$1,265/month

PITI: \$1,848/month

Tax deductions/year

Interest: \$9,000/year

Real estate taxes: \$6,000/year

Total: \$15,000/year

Tax savings: \$3,750 (25% combined Federal and State tax rate)

After tax mortgage interest rate: 2.25%

Income to qualify for this mortgage.

\$1,848 monthly payment/.28% = \$6.600 per month, \$79,200 per year

What to do with mortgage proceeds (\$300,000?)

Invest it. Can you get better than 2.25% return?

Rainy day fund.

Do it now?

Reverse mortgages.

Loan terms 2021.

Points/closing costs

Applying for a mortgage in 2021.

Is age a problem?

Sources of income: Pensions, social security, portfolio/RMD income.

Choice of mortgage terms.

