



# The **SRES® Professional**

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## What Seniors Need to Know: Financing a Home in Retirement

Purchasing a home represents one of the most significant financial decisions seniors will make, yet navigating the mortgage landscape can feel overwhelming when traditional employment income may no longer be part of the equation. Many older adults assume their financing options are limited or that age-based discrimination will prevent them from securing favorable loan terms. The reality is quite different—seniors have access to numerous financing strategies, from conventional mortgages and government-backed loans to specialized products like reverse mortgages and asset-based lending options.

Understanding their rights and available resources is crucial for making informed decisions about home financing in a homeowner's golden years. Federal law prohibits age-based lending discrimination, meaning lenders must evaluate the application based on creditworthiness, income stability and debt-to-income ratios rather than age. Social Security benefits, pension payments and retirement account distributions all qualify as legitimate income sources, though documentation requirements may differ from traditional employment verification.

Whether someone is downsizing to a smaller home, relocating to be closer to family or purchasing their dream retirement property, the key to successful senior home financing lies in preparation and education. From gathering proper documentation and understanding debt-to-income requirements to exploring alternative financing strategies and considering long-term estate planning implications, informed seniors can confidently navigate the homebuying process and secure financing that aligns with their retirement goals and financial security. 🏠

### FAST FACTS

## \$2,100

The median mortgage payment for purchase loan applicants as of August 2025, according to the Mortgage Bankers Association (MBA).

[MBA.org](https://www.mba.org)

## \$194,334

The average amount of mortgage debt baby boomers carry—the second-lowest balance, behind the Silent Generation—according to 2024 data from Experian.

[Experian.com](https://www.experian.com)

ACCORDING TO 2025 DATA FROM THE NATIONAL ASSOCIATION OF REALTORS®:

The largest cohort of home sellers

BABY BOOMERS: **53%**

The largest cohort of home buyers

BABY BOOMERS: **42%**

[nar/realtor.com](https://www.nar.realtor.com)

HOME EQUITY CONVERSION MORTGAGE (HECM) ENDORSEMENTS

2025	<b>28,172</b>
2024	<b>26,521</b>
2009	<b>114,692</b>

Department of Housing and Urban Development (HUD) data shows that in 2025, about 28,172 Home Equity Conversion Mortgage (HECM) endorsements were recorded, up slightly from 26,521 in 2024. Nevertheless, this level remains a small fraction of the program's peak of approximately 114,692 HECMs in 2009.

[nrmlaonline.org](https://www.nrmlaonline.org)



# Misconceptions About Seniors and Financing Home Purchases

Misconceptions about seniors and home financing can prevent them from exploring the best financing options or cause them to make financial decisions that are less optimal when purchasing homes.



## **Misconception:** **Age-based lending discrimination is legal.**

Some people believe lenders can reject mortgage applications based on age. The Equal Credit Opportunity Act prohibits age discrimination in lending. Lenders must evaluate creditworthiness based on factors like income, debt and credit history, not age.

## **Misconception:** **Seniors can't get long-term mortgages.**

There's a misbelief that older borrowers are limited to shorter loan terms or can't qualify for 30-year mortgages. Lenders focus more on the borrower's ability to repay during the loan term rather than their age at loan maturity.

## **Misconception:** **Retirement income doesn't count.**

Some believe that Social Security, pensions and retirement account withdrawals aren't considered valid income sources. These are legitimate income streams that lenders regularly accept, though they may require documentation of sustainability.

## **Misconception:** **Reverse mortgages are the best option.**

While reverse mortgages can be helpful, they're not automatically the optimal choice for many senior home buyers. Traditional mortgages, cash purchases or other financing methods might be more appropriate depending on an individual's circumstances.


## **Misconception:** **Credit scores matter less for seniors.**

Credit scores are important regardless of age. However, seniors sometimes believe that their long-term credit history is given more weight by lenders than their current credit activity, which might have lower scores. Lenders put more weight on recent credit behavior.

## **Misconception:** **All-cash offers are better.**

While cash offers can be competitive, depleting retirement savings for a home purchase may not be a wise direction. Maintaining liquidity and potentially leveraging lower interest rates through financing might be more financially sound.

## **Misconception:** **Down-payment requirements are higher for seniors.**

Standard down-payment requirements apply to seniors just as they do to younger borrowers, with the same loan programs and assistance options potentially available. 



# Home Financing Options

AVAILABLE TO  
SENIOR CLIENTS

As a Seniors Real Estate Specialist® (SRES®) designee, understanding the unique financial landscape that senior clients navigate is crucial for providing exceptional service and closing deals successfully. Seniors face distinct challenges and opportunities when financing their homes—whether they're purchasing a new property or accessing the equity in their current one.

This guide outlines a variety of lending and funding solutions available to senior clients. Some options support new home purchases, while others help clients tap into their existing assets or home equity. Knowing how each type fits into your clients' financial goals will help you guide them with confidence.

## PURCHASE-FOCUSED FINANCING OPTIONS

### Conventional Mortgages

Seniors can qualify for conventional mortgages just like younger borrowers, provided they meet income and credit requirements. Lenders cannot discriminate based on age, and many seniors have excellent credit scores and stable income sources. The key consideration is demonstrating sufficient income to support mortgage payments, which may include Social Security, pensions, retirement account distributions and part-time employment.

### FHA Loans

The Federal Housing Administration offers loans with more flexible qualification requirements, including lower down-payment options and more lenient credit score requirements: a 3.5% down payment may be possible with a credit score of 580 or higher. FHA loans can be particularly beneficial for seniors who may have experienced credit challenges or have limited cash reserves.

### VA Loans

For eligible veterans and service members, Veterans Administration loans remain available regardless of age. These loans offer competitive rates, no down-payment requirements and no private mortgage insurance, making them an excellent option for qualifying seniors.

### USDA Loans

The home must be in a USDA-eligible rural or suburban area, which often includes areas with populations of 20,000 or fewer. The USDA provides an online tool to check property eligibility. Seniors generally need to meet specific criteria related to income, property location and creditworthiness.

### Bank Statement Loans

For seniors with non-traditional income sources, like self-employment or rental income, these loans allow qualification based on bank statements rather than traditional employment verification documents.

### Asset Depletion Loans

If a senior has significant savings or investment assets, lenders may allow those funds to be used as a source of *qualifying income* under an asset depletion loan. To calculate this "income," the lender divides the total verified assets by a set number of months—typically 360 (30 years)—to determine a monthly amount that can be used for loan qualification purposes.

### Bridge Loans

Bridge loans are short-term financing that allows seniors to purchase a new home before selling their current property. This option is particularly useful in competitive markets where contingent offers are less attractive to sellers.

### Family Financing or Buying with a Co-Signer

Intergenerational lending arrangements, in which adult children or other family members provide financing or co-sign for mortgages, can help seniors access better rates or qualify for loans they might not obtain independently.

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### HOME EQUITY AND CASH ACCESS OPTIONS

#### Home Equity Conversion Mortgage (HECM)

HECMs are the most common reverse mortgage option, available to homeowners 62 and older. This FHA-insured product allows seniors to convert home equity into cash without monthly mortgage payments. The loan is repaid when the home is sold, or the borrower moves or passes away.

It is important to note that if only one spouse is listed as the borrower on an HECM, the non-borrowing spouse may lose the right to remain in the home after the borrower's death.

#### Proprietary Reverse Mortgages

Private lenders offer reverse mortgages for higher-value homes that exceed FHA lending limits. These products typically serve

affluent seniors with substantial home equity and offer more flexibility in terms and loan amounts.

#### Home Equity Loan

This involves borrowing a lump sum against the home's equity as a second mortgage with fixed monthly payments. Social Security income can be used for qualifications, but good credit and a low debt-to-income ratio are generally needed.

#### Home Equity Line of Credit (HELOC)

A HELOC functions as a revolving line of credit against home equity, allowing seniors to borrow funds as needed. Qualifying typically involves using Social Security income, good credit and a low debt-to-income ratio.

### CASH-BASED AND ASSET-DRIVEN PURCHASES

#### Cash-Out Refinance

Seniors with significant home equity can refinance their existing mortgage for a larger loan and receive the difference in cash. Qualification may involve using Social Security income, but lenders might require good credit and potentially higher interest rates.

#### Retirement Account Withdrawals

Many seniors have accumulated significant assets in 401(k)s, IRAs and other retirement accounts. They can withdraw funds for home purchases, though tax implications must be considered. First-time homebuyer exceptions may apply for IRA withdrawals, allowing up to \$10,000 without early withdrawal penalties.

#### Investment Portfolio Liquidation

Seniors with substantial investment portfolios may choose to sell securities to fund home purchases. This approach requires careful consideration of tax consequences, particularly capital gains implications and the impact on overall retirement planning.

#### Proceeds from Home Sales

Downsizing or relocating seniors often use proceeds from selling their current home to purchase a new property. The combination of sale proceeds with other financing options can provide flexibility in both purchase price range and monthly payment structure.

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### ALTERNATIVE FINANCING STRATEGIES

#### Asset-Based Lending

Some lenders offer mortgage products that qualify borrowers based on assets rather than income. These programs can benefit seniors with substantial savings but limited ongoing income streams.



### SPECIAL CONSIDERATIONS FOR SENIOR CLIENTS

#### Income Documentation

Helping seniors gather appropriate income documentation is crucial. This includes Social Security statements, pension documentation, retirement account statements and any part-time employment records. Understanding how lenders evaluate retirement income streams will help you guide clients through the application process.

#### Debt-to-Income Ratios (DTI)

Seniors often have lower debt-to-income (DTI) ratios due to paid-off mortgages and reduced living expenses. However, fixed incomes may limit borrowing capacity, requiring careful analysis of affordable payment ranges.


#### Creditworthiness

A good current credit score is more important for favorable loan terms than the senior's long-term positive credit history.

#### Long-Term Financial Planning

Consider how home purchases fit into overall retirement financial planning. Factors such as property taxes, maintenance costs and proximity to healthcare facilities should influence financing decisions.

#### Estate Planning Implications

Different financing options impact estate planning differently. Reverse mortgages, for example, affect inheritance planning differently than traditional mortgages. Encourage clients to consult with financial advisors and estate planning attorneys. 





# Documents That Seniors Need When Applying for a Mortgage



When applying for a home loan or mortgage, seniors typically need to provide the same core documentation as other borrowers, but there are some specific considerations for their situation. As with any other home buyer, the key is demonstrating sufficient and stable income to cover mortgage payments, even if that income comes from retirement sources rather than employment. Helping a senior organize financial records will make the process much smoother.

## Income Documentation

- ☐ Social Security statements showing monthly benefits and/or tax returns reflecting those
- ☐ Pension statements or distribution letters from retirement accounts and/or tax returns reflecting those
- ☐ 401(k), IRA or Keogh distribution statements and/or tax returns reflecting those
- ☐ Annuity statements and/or tax returns reflecting those
- ☐ Interest and/or dividends income statements and/or tax returns reflecting those
- ☐ Rental property income shown via tax returns or current lease agreement
- ☐ Bank statements showing regular deposits from retirement sources
- ☐ If still employed, pay stubs and employment verification letter
- ☐ Disability income (if applicable) shown via copies of a disability policy or benefits statement
- ☐ Tax returns (usually 2 years) if still working or have other income
- ☐ A list of monthly expenses and debts will be valuable

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## Asset Documentation

- ☐ Bank statements (typically 2–3 months of checking and savings accounts)
- ☐ Investment account statements (401k, IRA, brokerage accounts)
- ☐ Documentation of any other assets, like CDs or bonds
- ☐ Gift letters if family members are contributing to the down payment

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## Credit and Identity

- ☐ Government-issued photo ID (Driver's License, state ID or Passport)
- ☐ Social Security card
- ☐ Credit reports (lenders will pull these, but it can be valuable to review beforehand)

## Property Documentation

- ☐ Purchase agreement or sales contract
- ☐ Property appraisal (arranged by lender)
- ☐ Homeowners insurance quote
- ☐ Property tax information

## Special Considerations for Senior Financing

- ☐ If income comes primarily from investments, seniors may need to provide detailed portfolio statements
- ☐ Some lenders may require documentation showing the stability and longevity of retirement income sources
- ☐ Reverse mortgages (if applicable) have their own set of unique needs
- ☐ Property tax information

## Additional Requirements for a Reverse Mortgage

For a reverse mortgage application, in addition to the information already described, seniors need to provide some additional documentation to be eligible for a reverse mortgage.


### Age Verification

- Reverse mortgages are only available for individuals age 62 or older. Seniors must provide proof of age through a government-issued ID or Birth Certificate.

### Property Documents

- Proof that the home is the senior's primary residence
- If married, documentation from the spouse, even if the spouse is not named on the loan
- Power of attorney documents (if applicable)
- Any trust or estate documents related to the property

### Required Counseling

- A reverse mortgage requires that the borrower complete a counseling session with a HUD-approved counselor and provide a certificate of having done that counseling.
- For Home Equity Conversion Mortgages (HECM) reverse mortgages, counseling is mandatory. For Proprietary Reverse Mortgages, counseling may also be required though the specific requirements can vary.
- The counselor will explain how reverse mortgages work and outline alternatives to getting a reverse mortgage. The counselor will also review the senior's finances and offer guidance and resources to help them decide which option is best for them.
- The senior may have to pay an upfront fee for the counseling session, typically \$125–\$200. Seniors whose income is below 200% of the federal poverty line, or who are facing financial hardship, may be able to delay this payment until their reverse mortgage closes, or can inquire about reduced fees or hardship options from the counseling agency.
- If you are unfamiliar with any reverse mortgage counseling services, seniors can find one through a referral list provided by a mortgage loan officer; through an online search; by using HUD's [online search tool](#) and filtering by zip code, city or state; or by calling HUD at 800-569-4287. 



# BEST PRACTICES

## for Senior Real Estate Specialist® (SRES®) Designees

### Build Relationships with Senior-Focused Leaders

Develop relationships with loan officers who specialize in senior financing. These professionals understand the unique challenges and opportunities in this market segment and can provide valuable guidance throughout the process.

### Educate Yourself on Reverse Mortgages


Understanding reverse mortgage basics allows you to have informed conversations with clients and refer them to appropriate specialists when needed. However, avoid providing specific financial advice and always recommend consultation with qualified mortgage professionals.

### Consider Timing Factors

Senior clients may have more flexibility in timing their purchases, but they may also face health-related urgency. Understanding these dynamics helps you provide appropriate guidance and support throughout the transaction.

### Communicate Clearly

Ensure all financing options are explained clearly, with emphasis on long-term implications. Seniors may need more time to process information and make decisions, so patience and clear communication are essential.

Understanding these diverse financing options positions you to better serve senior clients and expand your market reach. By staying informed about the evolving landscape of senior home financing and building relationships with specialized lenders, you can help seniors successfully navigate their unique path to homeownership. 





# QUICK HOME FINANCING TIPS FOR YOUR Senior Clients

## 1. Document and Verify Retirement Income

Lenders evaluate retirement income—such as Social Security, pensions and retirement account withdrawals—differently from traditional salaries. Be prepared to provide clear documentation of these income sources, as requirements may be stricter than for employment income.

## 2. Factor in Ongoing Costs

Beyond the mortgage payment, budget for property taxes, insurance, maintenance and potential healthcare modifications. These expenses can strain fixed incomes over time.

## 3. Budget for Total Housing Costs

Include property taxes, insurance, maintenance and potential accessibility modifications in your calculations.

## 4. Consider Location Carefully

Choose areas with good healthcare access, public transportation and aging-in-place potential.

## 5. Plan for the Long Term

Clients should choose a home that fits their lifestyle and mobility for years to come. Think about accessibility needs, and whether you'll want to downsize again.

## 6. Plan Your Estate

Consider how the new mortgage affects inheritance plans and beneficiaries.

## 7. Review Debt-to-Income Ratios

Keep total monthly debts under 43% of income for better loan approval odds.

## 8. Explore Age-Friendly Loan Options

Some lenders offer specialized programs for older borrowers. FHA loans don't have age limits, and certain credit unions provide senior-specific mortgage products with favorable terms. And 15-year mortgages often have lower rates and build equity faster, fitting better with retirement timelines.

## 9. Evaluate Down Payment Strategies

Using retirement funds for a down payment affects a financial cushion. Consider smaller down payments to preserve emergency savings, even if it means paying mortgage insurance. 