

From Prefab to Fabulous

A tiny, tired Long Island galley kitchen becomes the hub of a new home **BY LISA LIEBMAN**

before



When Maureen and Kevin Mirabile bought their Montauk, N.Y. retreat, it was a two-family home with upstairs and downstairs apartments, each with a prefab kitchen. Though built on a hill, it took no advantage of the water views. So after gutting the 3,140-square-foot house, they rebuilt with the view in mind, bumping out the wall facing the water and adding windows. They put the space where the couple and their

three kids would spend the most time—an airy kitchen, living room and dining room—on the second floor, with a mahogany deck adjoining it. “It’s our upside-down house,” says Maureen of the now 3,400-square-foot, five-bedroom home. “Making the kitchen blend into the family room, which opens onto the deck, is perfect for a big family and entertaining,” says real estate agent Peter Joyce, who was also the Mirabiles’ contractor.

BOUGHT IN 2002 FOR

\$785K

RENOVATION COSTS

\$500K

MARKET VALUE TODAY

\$2.4 million

WHERE DID IT GO?

Plumbing, electric and AC (\$78,000), a roof (\$50,000), three bathrooms (\$50,000) and 36 wind-resistant windows (\$35,000)

WORTH IT?

“Montauk prices have skyrocketed in the past year and a half,” says agent Joyce. For this house, he adds, “the biggest selling point is the view.”

after



Open for pleasure Laminate cabinets were replaced with semicustom maple ones (\$39,200). The cherry island (\$5,300) visually divides the work space from the dining area. A half wall housing a porcelain sink (\$800) and a beverage cooler (\$856) keeps the kitchen apart yet open. Best savings? GE Monogram appliances: The \$4,200 gas range with electric oven was \$2,000 less than a similar Viking. Best splurge? A backsplash of handmade tiles (\$1,043).

Architect: Erica Broberg, East Hampton, N.Y.; designer: Scott Smith, Smith River Kitchens

facility, a reverse mortgage probably isn't your best option for cash, says Barbara Stucki, project manager of the National Council on the Aging's reverse mortgage initiative. "Because these loans have sizable up-front costs," she says, "your time frame is critical." Instead, consider a cash-out refinancing or home-equity loan to tide you over until you sell.

► **THE FUTURE** Someday your mortgage has to be paid off, either in cash or when the house is sold. Although mortgage insurance ensures that you or your heirs won't owe more than your house is worth, it's entirely possible to drain your home's equity, leaving your children with little or nothing. One reason is that when the loan comes due, the bill is for what you borrowed plus fees and interest, and rates on reverse mortgages are not fixed. The annual rate, recently 8.3%, is the rate on a one-year Treasury bill plus 3.1 percentage points and 0.5 points for

insurance. Over the life of the loan, your rate can't rise more than five points. At today's rate, a homeowner who borrows \$100,000 would owe \$222,000 in interest and principal in 10 years.

If leaving your home or money to the next generation is important, think twice. "I recommend talking to your children before you go through with a reverse mortgage," says Patricia Houlihan, a certified financial planner in Reston, Va. Another option for cash is to sell the house to your children and rent it back.

How to Shop for a Loan

If you decide a reverse mortgage is right for you, you have still more decisions to make, including what loan program to use. The U.S. Department of Housing and Urban Development's home-equity conversion mortgage (HECM) is the only reverse mortgage insured by the federal government, but loan values are capped

based on typical home prices in your area. If you own a valuable house, you may be better off with a loan from Fannie Mae or from a private lender such as Financial Freedom (financialfreedom.com).

When you shop, you have one thing going for you: Because reverse mortgages are so confusing, you have to meet with a counselor before you can apply. That person will spell out the pros and cons, as well as the alternatives. To find a counselor and learn more about these loans, contact the AARP Foundation's Reverse Mortgage Education Project (800-209-8085; aarp.org/revmort). When choosing a lender, stick with specialists affiliated with the National Reverse Mortgage Lenders Association (reversemortgage.org).

Counseling means that closing on your reverse mortgage could take up to three months, but considering that this loan could provide financial security for a lifetime, it's worth the wait. \$



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