

# Use Your Home to Stay at Home<sup>®</sup>

The official reverse mortgage consumer booklet  
approved by the U.S. Department of Housing &  
Urban Development



**ncoa**  
National Council on Aging

**T**he National Council on Aging (NCOA) is committed to helping older Americans live with their best possible health and economic security. For many older adults, their home is their biggest financial asset, and they want to remain there as long as possible. This booklet is designed to help older homeowners understand and evaluate the options available to them, including reverse mortgages. We hope you find it useful for your situation.

**—James Firman, President & CEO  
National Council on Aging**

*The National Council on Aging is a respected national leader and trusted partner to help people aged 60+ meet the challenges of aging. Our mission is to improve the lives of millions of older adults, especially those who are struggling. Through innovative community programs and services, online help, and advocacy, NCOA is partnering with nonprofit organizations, government, and business to improve the health and economic security of 10 million older adults by 2020. Learn more at [ncoa.org](http://ncoa.org) and @NCOAging.*

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# Overview

**L**ike most Americans, you probably want to stay in your home as you grow older. However, as it gets harder to do things on your own, you may need a helping hand with everyday tasks. It can be costly to pay for help at home, along with home modifications and other health needs. For many people, these extra costs are a real burden.

Older Americans often hold onto their homes as a nest egg in case they need extra money. But when that “rainy day” arrives, how do you make use of that home value?

One option is to sell the house and move. There is another option that would allow you to continue to live in your home—tapping the stored value of your home with a loan. Home equity is the difference between the appraised value of your home and what you owe on any mortgages. A reverse mortgage can allow you to convert some of that home equity into cash so that you can stay at home.

Using the equity in your home can seem like a good idea. But is it right for you? It is a decision you should consider carefully, because your house may be your most valuable financial asset. This booklet will help you understand the benefits and challenges of this funding option. After reading this booklet, you should be better able to:

- Decide if staying at home is right for you.
- Understand the reverse mortgage option, as well as other ways you can pay for help at home.
- Know where to go for more information.

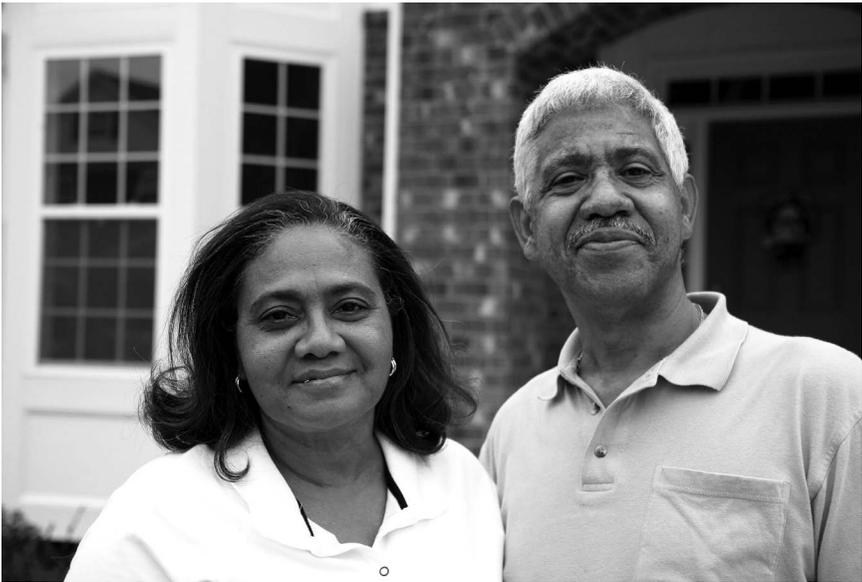


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People who need help at home face many challenges. An ongoing health problem can make it hard to know how much longer you can continue to live at home. You should also be aware of government benefits and community programs for seniors, and how a reverse mortgage may affect your eligibility for these programs.

This booklet will give you the tools you need to make wise choices. It will help you ask the right questions and plan ahead so that you can stay at home as long as possible.

Talking with family, a reverse mortgage counselor, a local senior services provider, or a knowledgeable financial advisor also can help.



# Challenges of Aging in Place

**L**iving at home can become difficult as you grow older. Ongoing health conditions such as arthritis or poor eyesight can make it hard to do household chores, drive a car, or climb stairs safely.

People who are forgetful may not take their medicine on time or be able to prepare nutritious meals. Without extra help, older people often struggle with everyday tasks after a serious heart attack, stroke, or fall.

In the past, when an older person had trouble living alone, that was a signal that it was time to move in with family or go to a nursing home. Today, there is a wider range of options, and you may be able to receive some services and supports in your home or community. This is often called “aging in place.”

Choosing to live in your home when you need extra help can be a big decision. There are many practical and financial factors to consider. You will need to balance health and safety issues with your desire for independence and a familiar setting. It is crucial to plan ahead as much as possible. Answering these questions can help you get started:

- Does your home meet your needs?
- What kind of help do you need to stay at home?
- What resources do you have to help you stay at home?
- What other housing options do you have?

It is important to remember that every situation is unique. What may work for one person might not be the best choice for someone else.

## Does Your Home Meet Your Needs?

First, make sure that your home is safe and comfortable, and fits your needs at the present time, and into the foreseeable future.

### *The right housing for you*

Where you live and the house itself can keep you from aging in place. Think about these factors to see if staying in your own home makes sense:

- **Changing needs**—Can you handle the yard work, upkeep, and repairs, or afford to pay for help? A house that was ideal 30 years ago may now be too large or too difficult to handle alone.
- **Safety**—Can you safely live in the home as your needs change? A house with uneven floors, or with stairs that are steep, broken, or without handrails is an accident waiting to happen. Have you fallen in your home or are you fearful of falling in your home? Do you have adequate lighting outside and inside your home? An unsafe neighborhood may make you afraid to go shopping or attend social activities.
- **Isolation**—Do you have friends or family nearby? Is public transportation available if you can no longer drive? A trip to the grocery store, pharmacy, or place of worship can be a problem when you cannot drive. It is easy to feel lonely or trapped when family and friends are far away.
- **Ease of use**—What if you become unable to climb stairs, or to walk? If you need a walker or a wheelchair, it helps to have clear pathways, a bedroom and full bath on the ground floor, grab bars in the bathroom, and ramps for the entrance to the house.

If any of these issues apply to your home, consider whether you can address them by making modifications to your house or bringing in outside help. In some cases, it may make more sense to sell the house and move to a more suitable place.

## What Kind of Help Do You Need?

### *Major areas to consider*

- Keeping up with property charges such as taxes, hazard insurance and HOV fees etc.
- Housekeeping
- Meal preparation
- Shopping for food, medications, and other necessities
- Yard work including mowing, snow removal, etc.
- Home repairs and modifications
- Money management
- Transportation
- Personal care (bathing, dressing, etc.)
- Medical or nursing needs
- Social contact

### *Sources of help*

Most older people who have health problems get help in their own homes, often from family or friends. There are also many professional home and community care services. A homemaker can provide transportation, do household chores and errands, prepare food, and also provide some companionship. A personal care aide can help with activities such as bathing and dressing. A nurse can check your medications and give medical care, while a therapist can provide rehabilitation in your home. Adult day centers may offer social activities, health checks, and rehabilitation therapies.

Relying on family and friends can work if they are nearby and have the time and energy to spare, but not every family has an available caregiver. Relying on paid services may not work if you do not want a stranger in your home. It can also be hard to find the services you want at a price you can afford.

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## **Cost of supportive services**

When you get paid help at home, usually someone comes into your house from a home care agency. These professional services can be expensive and in many cases are not covered by Medicare or other insurance. While services in the home and community may cost less than living in a nursing home or other care facility, these expenses can add up over time. For example, if you need a couple of hours of help from a home health aide in the morning and at night, you could easily spend \$80 per day, or \$2,400 per month.

### **Median national cost of services, 2017**

Homemaker:	\$21/hour
Home health aide:	\$21.50/hour
Adult day health care:	\$70/day
Assisted living:	\$3,750/month
Nursing home:	\$235-\$267/day

*Source: Genworth Financial 2017 Cost of Care Survey*

You also may need to make changes to the house to make it easier and safer to stay at home. Home modifications can range from \$100 to install a grab bar to thousands of dollars to install a stair lift or add a ground-floor bathroom.

## What Resources Do You Have to Help You Stay at Home?

Look at all the resources you can use to help you live at home. You likely have three major sources of help: support from family and friends, personal income and assets, and the equity in your home.

### ***Support from others***

Most older Americans who have difficulty doing everyday tasks depend on family and friends for help. Children can run errands, provide transportation, and help maintain the house. Neighbors and friends may help with yard work or home repairs.

A spouse or adult children can provide a high level of loving care. But think carefully if you expect to rely on your spouse or children as your only source of help. It can be very tiring to help someone every day, especially if they have trouble walking or have severe changes in memory and thinking. Caregivers may develop health problems because of the strain of these activities. Working caregivers may have to give up their job or cut the number of hours they work to give help at home. Your children or spouse may not have the ability and willingness to provide the level of care you need.

### ***Personal finances***

Paying for in-home services and other health-related expenses can quickly use up a big part of a retirement nest egg. Review your finances carefully. They will be an important part of your decision to remain at home. Your finances include your income, savings, and investments.

- ***Estimate your household budget***—Work out your income and living expenses, along with the monthly cost of any loans and credit card debt. Make sure you budget for home repairs and maintenance, as well as annual expenses like homeowners insurance and property taxes.

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- **Take a hard look at your cash flow**—Do you have enough money each month to pay for everyday expenses? Do you often have to turn to savings or credit cards to meet monthly bills? Do you struggle when a larger or unexpected expense like a tax bill or a car repair comes along? Remember that your medical expenses and need for help may increase as your health changes.
- **Consider your other assets**—What readily available savings do you have? If you have other non-cash resources such as stocks, bonds, or property other than your home, how difficult would it be to sell those assets if you needed money?
- **Look into eligibility for government assistance**—If you have very limited finances, you may be eligible for help with the costs of care at home, or with other expenses such as prescription medications, food, and property taxes.

## *Home equity*

Home equity is the difference between the appraised value of the home and what you owe on any mortgages or other debt against the home. If you've owned your house for many years, it could be worth more than you paid to buy it. If the house is paid off, or if you have a relatively small amount of debt on it, the equity could be more than you expect. Borrowing against the equity in your home could give you extra cash for home modifications, or help pay day-to-day expenses. A home loan may also be less costly than borrowing money at high interest rates from credit cards.

It can be a very emotional decision to tap home equity. Many people see their house as a home, not as a resource to pay for everyday expenses. You may have worked very hard to pay off your mortgage. It may be important to you to leave an inheritance for your children. You must balance your desire to preserve home equity with the risk of not having enough funds to continue to stay at home.

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You may also want to talk to your heirs about this decision. You might find that your children would prefer that you use your equity to support your home care needs and help you stay independent, even if it means they receive a smaller inheritance.

## What Other Housing Options Do You Have?

Living with an ongoing health condition can be hard. You may need to change your living situation when you:

- Cannot take care of yourself or manage the home, even with whatever help is available.
- Have had several falls or other accidents.
- Need round-the-clock assistance (such as in the later stages of Alzheimer's disease).

You may not want to move because you are afraid of losing your independence. However, today there are many attractive housing choices where you can get the help you need.

### *Sharing a home with family members*

One option may be to live with your children. There can be many benefits to such an arrangement, for you and for your children and grandchildren. But first, think about how this will work. How easy would it be to live together? Would it be a pleasure, or an ordeal? Do your children have room for you? Will they have to make changes to their house, such as adding grab bars or building a ramp? Do they have the time and energy to provide the help you need on a daily basis? Who will pay for expenses such as rent? Having a frank and detailed discussion with your children about these issues may spare all of you pain and conflict later on.



## ***Senior apartments and retirement communities***

Affordable housing for seniors typically consists of small apartments that are open to seniors with low to moderate incomes. Though the space may be small, the cost is also modest, and far less expensive than maintaining a home, paying property taxes, etc. In some cases, rents are based on income.

For those with more financial resources, rental retirement communities offer a more luxurious independent living environment with services and amenities such as a common dining room, housekeeping and laundry services, transportation, recreation programs, etc.

## ***Assisted living***

In assisted living, you can live in a private room or apartment and get help with everyday activities. Meals are usually offered in a common dining area, structured recreational activities are offered, and help with personal care is provided as needed. Help is at hand 24 hours a day in case of a fall or illness. Although this level of care can be expensive, some states have programs to help with the costs.

## ***Continuing care retirement communities (CCRCs)***

Continuing care retirement communities (CCRCs), or life care communities, offer a full range of services from independent living, to assisted living, to full nursing care. You can enter the community in an independent apartment or cottage, and then move to higher levels of care as your needs change. Most CCRCs are quite expensive, however. Typically, a large initial payment is required, and you may need to prove that you have enough resources to pay monthly costs for some years ahead.

# Your House As a Resource

**O**nce you decide to continue living at home, and that you will need resources beyond your income and savings, the next step is to explore options. This section describes your choices for tapping home equity.

Typically, you would take out a loan that uses your home as the collateral to guarantee that you will repay the loan. To help you decide which option may be best for you, think about these questions:

- Why do you need the money and for how long?
- What loan options are open to you?
- How much cash can you get from your house?
- Are you prepared to tap home equity?

The equity you have built up over many years should be used wisely. It is important that you understand the costs, benefits, and risks of different types of loans.

## Why Do You Need the Money?

Since different kinds of home loans work best for different purposes, you need to be clear about how you plan to use the money. Some homeowners like to plan ahead by taking out a line of credit. These funds give them the flexibility to pay for unforeseen expenses as they arise. Others want a lump sum to deal with a specific, one-time cost such as adding a bathroom or paying off an existing mortgage.

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How long you will need the loan will also make a difference in your decision. Are you tapping home equity to solve an immediate, one-time problem? Or will you need funds for many years to pay ongoing household expenses? When you take out a loan to tap a portion of your home equity, you usually cannot use the remaining equity for other needs until you pay off the loan. It is important to look at your overall financial situation, or you may find yourself stuck with a loan that doesn't fit your changing needs.

## What Loan Options Are Available to You?

### *Single purpose loans*

Many states and communities offer special loans to help older homeowners who are struggling to live at home. These loans are designed to meet specific needs. Borrowers usually do not need to make payments on these single purpose loans for as long as they continue to live in the home.

- **Home repair and modification loans**—Borrowers get a one-time, lump-sum loan that pays for the specific repairs or home modifications that the program allows.
- **Property tax deferral loans**—These programs allow older homeowners to defer payment of some or all of their property taxes. The deferred taxes become a loan that is repaid when the borrower dies or moves out of the house.

### ADVANTAGES

- Single purpose loans usually cost less than conventional home equity loans or reverse mortgages.
- Some of these loans are “forgivable.” This means you may not have to pay back all of the loan if you continue to live in the home for a certain period of time.

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## DISADVANTAGES

- Most programs have age and income requirements. Often, only homeowners with low or moderate incomes can apply.
- The money can only be used for one purpose.
- You may not be able to get more money if needed later. Home repair loan programs are often one-time only.
- The remaining equity in your home may not be available to use for other needs.
- These loans may not be available where you live.

## ***Conventional home equity loans and lines of credit***

These loans can be useful if you are unsure how long you can continue to live at home or how much help you will need. Until you have a good sense of what's going on with your health situation, you can get extra funds from these loans without paying large fees or making drastic changes. Conventional home equity loans can also help families who have other assets they do not want to sell right away. There are two types of home equity loans:

- ***Home equity line of credit***—This loan works like a credit card. You can borrow up to a certain limit, for a set period of time, such as 10 or 15 years. During that time, you can withdraw money as needed, and may be able to pay only the interest on the balance. Once the time is up, you must pay back both principal and interest within a repayment period such as 10 years, making the monthly payments much higher. Costs to set up these loans may be relatively low.
- ***Home equity loan***—You receive a set amount of money in a lump sum. You pay off the loan over a set amount of time, with fixed monthly payments that include both principal and interest.

With these loans, you may have to pay “points,” appraisal fees, closing costs, and loan origination fees. Closing costs may include attorney's fees, fees for preparing and filing a mortgage, fees for title search, taxes, and insurance.

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## **ADVANTAGES**

- If you qualify and your credit is good, you may be able to get a home equity loan or line of credit quickly.
- A home equity line of credit may have relatively low upfront costs, compared to refinancing a first mortgage or obtaining a reverse mortgage.
- With a line of credit, you pay interest only on the amount you borrow, even though you may be approved for a larger amount. This makes a line of credit good for covering unexpected expenses.
- A line of credit can be good for a short-term need, such as repairs that need to be made before selling the house, since you may be able to pay interest only in the early years of the loan.

## **DISADVANTAGES**

- You may not qualify for these types of loans. Lenders look carefully at your income, other debt, and credit history, as well as the amount of equity you have in your home.
- You must be able to make monthly payments. If you can't make these payments, you could lose your house, just as you would if you didn't keep up with your first mortgage.
- When the time is up on your line of credit, you must start paying off the entire loan balance, not just the interest. This means that you may suddenly have a much larger monthly payment to make. You can't count on being able to renew the line and keep on borrowing.
- Using a conventional home equity loan or line of credit to solve cash-flow problems can be risky. If your health declines, monthly loan payments along with other expenses may become more than you can handle.

## Reverse Mortgages

If you expect to live in your current home for several years, you could consider a reverse mortgage. Reverse mortgages are designed for homeowners aged 62 and older. These types of loans are called “reverse” mortgages because the lender pays the homeowner. The money you receive from a reverse mortgage is tax-free, and can be used for any purpose.

Unlike conventional mortgages, you do not need to make any monthly payments on a reverse mortgage for as long as at least one borrower continues to live in the home. However, you do need to keep paying taxes, insurance, and upkeep on the house.

During the time you have the loan, the lender charges interest and adds it to the amount you borrowed instead of making you pay it monthly. This means that the amount you owe gets bigger and bigger, the longer you have the loan. When the last borrower moves out of the home or dies, the loan becomes due in full, including the amount you borrowed and the interest that was added, as well as interest on the interest. The loan is usually repaid by the borrower or their heirs through selling the home.

There are two types of reverse mortgages available in the market. These include:

- **Home Equity Conversion Mortgage (HECM)**—This program is insured by the Federal Housing Administration, a government agency that is part of the U.S. Department of Housing and Urban Development (HUD). Lending institutions, such as mortgage companies and banks, offer these loans, following rules set by HUD. These are the most popular reverse mortgages, representing about 95% or more of the market.
- **Proprietary reverse mortgages**—A few lenders offer reverse mortgages that are not HECMs. These loans are usually designed for people with very high-value homes, so they are sometimes called “jumbo” reverse mortgages.

**Because proprietary loans may vary so much in their terms, the following information is focused only on HECM loans.**

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## **Features of Home Equity Conversion Mortgages (HECMs)**

**Loan amounts**—The maximum amount of money available (called the “principal limit”) is based on three things:

- **Value of the home**, as determined by a HUD-approved appraiser, up to a nationwide limit that may change from year to year. Owners of very high-value homes may not be able to borrow against the full value of their property. These borrowers may want to look into the proprietary or “jumbo” reverse mortgages.
- **Age of the youngest borrower** (or spouse, if the spouse is younger). At least one homeowner must be aged 62 or older. Younger borrowers receive less money because their life expectancy is longer, and this means they may keep the loan longer, accumulating more interest.

If there is a spouse who is not yet 62, they cannot be a borrower on the loan. However, their age will still affect the amount of money available.

- **Interest rate offered.** Lower interest rates allow you to borrow a higher percentage of home value.

**Ways to get money**—Borrowers may be able to receive loan advances (payments from the lender) in several ways.

- **A line of credit** allows you to borrow money as needed, up to a set limit. Unlike a conventional home equity line of credit, the HECM line of credit does not have a time limit and does not require you to make interest payments.
- Two kinds of fixed **monthly options** are available—a loan advance every month for a specific period of time, or a loan advance every month for as long as you live in your home.
- You also can combine a line of credit with a monthly option.
- You are no longer allowed to borrow all of the loan money at once at the beginning of the loan (lump sum), unless it is to pay off a mortgage or some other “mandatory obligation.”

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While there is no restriction on what you do with the money, there can be limits on how much money you are allowed to receive in the first year. Unless you have a large mortgage to pay off or are buying a house with a HECM, you will probably be able to borrow no more than 60% of the total loan amount (principal limit) in the first year.

## ***What can a HECM be used for?***

The money that is available to you from the HECM is first used to pay off any other loans against the house. After that, you can use the rest of the money for any purpose you choose, including living expenses, home repairs and modifications, home care expenses, paying off other debts, paying property taxes, etc. You can even use a reverse mortgage to purchase a new home, which might help you downsize to a house that suits you better or is closer to family.



***Costs of a HECM***—Many of the loan closing costs for a reverse mortgage are the same as what you would pay for a traditional “forward” mortgage. These fees include an origination fee, appraisal, and other closing costs (such as title search and insurance, surveys, inspections, recording fees). HECM borrowers also pay a mortgage insurance premium that covers FHA insurance. The mortgage insurance helps protect you in case of a lender failure, and assures both you and your heirs that you will not have to pay back more than the house is worth. Almost all of the costs can be paid using loan money (“financed”), which means that you don’t have to pay them out of pocket.

***Eligibility for HECM loans***—All homeowners must first meet with a government-approved reverse mortgage counselor before their loan application can be processed. This is to ensure that borrowers get objective information from someone who will not profit from the loan.

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Also, the home has to be in good condition and must meet HUD standards. Any existing mortgage or other debt on the home must be small enough to be paid off using the HECM funds. Unlike a conventional home equity line of credit, you cannot have a HECM in combination with another kind of home loan.

***Financial assessment for HECM borrowers***—Unlike standard home equity loans, eligibility for HECM loans is not primarily based on credit history or credit scores. Lenders and HUD are primarily trying to make sure that the borrower will be able and willing to keep up their end of the bargain—paying the property taxes and insurance, and keeping the house in good condition. The most important factor will be whether you have paid your taxes on time and kept the home insured. The lender also may consider whether you have consistently paid other bills on time. In addition, they will look at your income and expenses to see if you have enough money to live on and still pay your property taxes and insurance.

If the lender sees that you have had trouble paying your taxes and insurance, or that you don't have enough income to cover your regular monthly expenses, they may require what is called a "life expectancy set-aside." A set-aside means that the lender holds back part of the money from your loan, so that it can be used solely for paying your taxes and insurance. The amount of money is based on your life expectancy (an estimate of how long you will live based on how old you are when you get the loan.) This can add up to a lot of money, especially if you are relatively young or live in a place with high taxes.

These financial assessment rules won't cause you any problem if you have always paid your taxes, insurance, and other bills on time, and you have enough income to cover your living expenses and debts.

However, if you have been struggling to pay bills, especially taxes and insurance, or if your income is very low, you may not be able to get a HECM loan. If you are able to get a HECM, some of your loan money may have to be reserved to cover your future taxes and insurance, and this will only be possible if you have enough equity in the home.

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## ADVANTAGES

- You continue to own your house and can never be forced to leave, as long as you live in it, keep the home in good condition, and pay your property taxes and insurance.
- There are no **monthly** payments to make on the HECM, as long as at least one borrower lives in the home.
- If you had a mortgage before getting the HECM, that mortgage will be paid off. This gives you more money to live on.
- The HECM funds may provide a resource for paying property charges such as taxes, hazard insurance and HOA fees, etc. as well as other necessary expenses.
- There is no time limit on how long you keep the loan before you have to pay it off, as long as you live in the home.
- Even with the financial assessment, credit requirements for a HECM are less strict than for standard home equity loans and lines of credit.
- Interest rates are not based on credit history or credit scores.
- You (or your heirs) will never have to repay more than the value of the home if you sell the property to repay the loan, even if the value of your home goes down.

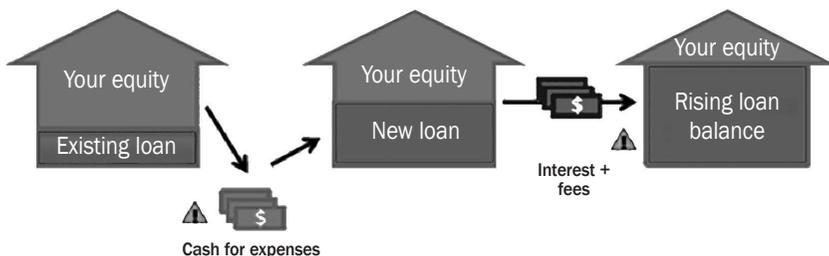


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## DISADVANTAGES

- The reverse mortgage is a loan, and will have to be paid back in full when the borrower no longer lives in the home.
- Because interest and mortgage insurance are added to the loan instead of being paid monthly, the amount you owe gets larger and larger over time. This process may use up a large part of your home value.
- As a result, you may have less to leave as an inheritance to your family, or less to keep if you later want to sell the house and move somewhere else.
- Closing costs for a reverse mortgage can add up to a large amount. Although closing costs can be financed into the loan, this uses up a portion of your equity at the beginning of the loan. This is one reason why a HECM is best used as a longer-term planning tool.
- If you already have a large mortgage, you may not be eligible for a HECM, because the HECM loan must be large enough to pay off the old mortgage in full. HECM loan amounts are not allowed to be as large as forward mortgage amounts, compared to the total value of the house.
- **You have to be at least 62 to get a reverse mortgage.** If there are two married homeowners and one is younger than 62, that person will have to be what is called a “non-borrowing spouse.” If the older spouse dies, the younger, non-borrowing spouse might still be able to live in the house, but they will not be able to get any more money from the HECM. Talk to your lender for more details.

**Existing mortgage + Cash out for expenses = New reverse mortgage**



*Graphic courtesy of the Consumer Financial Protection Bureau*

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- If you are the only homeowner and you stay in an assisted living or nursing facility for more than a year, you will be required to repay the balance of the loan (usually done by selling the house).
- Reverse mortgage borrowers must keep their homes in good repair, and pay property taxes and homeowners insurance. Life expectancy set-asides can assist in that, but it's the homeowners' responsibility even after those funds are used up.
- **Failure to keep property charges current can result in the lender foreclosing on the property.**

## ***How Much Cash Can You Get From Your House With a Reverse Mortgage?***

A HECM loan allows you to borrow a percentage of the value of your home, based on the borrower's age and the interest rate.

To get a sense of how much money you may be able to get from a reverse mortgage, use the simple, online calculator at [www.reversemortgage.org/About/Reverse-Mortgage-Calculator](http://www.reversemortgage.org/About/Reverse-Mortgage-Calculator). Remember, though, only a lender can tell you for sure how much you qualify for, because interest rates change frequently, and your estimate of your home value may not match that of an appraiser.

The condition of the home also may determine how much cash you will be able to receive and whether you can get the HECM at all. The house needs to be in good repair to qualify for a reverse mortgage.

## ***Reverse mortgage examples***

Let's consider the situation of four borrowers who each take out an adjustable rate HECM reverse mortgage. Each borrower lives in a house that is in good repair and is worth \$200,000.

**Bill Smith** (age 63) recently retired and has been struggling to pay his current mortgage. Bill receives over \$70,000 from a HECM reverse mortgage. This pays off his existing mortgage, and frees up extra cash for monthly expenses. However, this uses up all the available funds from his HECM, so he needs to budget carefully to pay property taxes and insurance each year from his income. He also has to plan ahead,

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because interest charges add up over time, which could leave him with little or no home equity if he later needs to sell and move.

**Joe and Liz Anderson** (ages 75 and 73) built their 2-story dream home after retiring. Recently, Joe had a mild heart attack and he now has difficulty climbing the stairs. Based on Liz's age, the Andersons can get about \$83,000 from their reverse mortgage. They take \$20,000 of the loan to install a stair lift, enlarge the downstairs bathroom, and make other home modifications. They keep the rest (\$63,000) in a line of credit for future needs. If they need it, they can get up to about \$26,000 more in the first year, and the remainder later on. In the meantime, that line of credit will get a little larger every month, making even more money available for future needs.

**Melba Jones** (age 83) has lived in the same town all her life. She knows she can rely on family and friends for help with the yard work and housework that she can no longer do. Her big concern is using up all her retirement funds too soon. She can receive about \$100,000 from her HECM loan and chooses a tenure (monthly) payment plan. Based on her age, this plan provides a guaranteed \$625 loan advance every month for as long as she stays in her house. This gives her peace of mind, knowing that she can pay for extra expenses and won't be a burden to her children.

**Richard and Rebecca Brown** (ages 63 and 53) have joint ownership of their home, which they own free and clear. They have been struggling to get by on Richard's Social Security since Rebecca got laid off from her job last year, and they have been late with their property tax and insurance payments, as well as other bills. Their HECM loan amount is based on Rebecca's age, even though she is under 62 and will be treated as a "non-borrowing spouse." They can receive about \$57,000, and the lender will set aside some of these funds to cover their taxes and insurance. The remainder will be available in a line of credit, which they can use to supplement their income until Rebecca gets a new job. If Richard dies, Rebecca may be able to continue living in the house if she can establish ownership, but, because she is not a borrower, she will lose access to the line of credit.

## Are You Prepared to Tap Home Equity?

Whether you are considering a single purpose loan, a conventional home equity loan or line of credit, or a reverse mortgage, chances are that it will take time to get the equity in your home. Plan carefully to make sure that these funds will be available when you need them. The following problems could slow the process.

- **Title to the home**—Understand who owns the home. All borrowers must own the home, live in the home, and be eligible for the reverse mortgage. If you have co-owners who don't live in the home, you will need their cooperation to apply for a reverse mortgage.
- **Home repairs**—If major repairs are needed, this work may need to be done before you can get a reverse mortgage. It can take several months to find a good contractor, get the necessary permits, and complete the job.
- **Legal competency issues**—If one or more homeowners suffers from memory loss, dementia, or other problems with thinking and memory, they may not be legally able to sign loan documents. Make sure a spouse, adult child, or trusted friend has a **durable power of attorney** that includes real estate. This allows your family or friend to make decisions if you cannot do so. In some cases, a guardianship may have to be put in place.
- **Money management problems**—If you have a history of problems with paying bills on time, if you owe money to the federal government, if you have been late paying your property taxes, or if you have let your homeowners insurance lapse, you may have to do some work to become eligible for a reverse mortgage.

# Government Programs

**G**overnment programs provide an important safety net. They help older Americans who have limited financial resources, and who cannot pay for help at home. Several public programs help older people cope with an ongoing health condition. Other programs can help pay for heating and cooling costs and to weatherize your home. If you qualify for these programs, you may not need to use your home equity.

## Medicaid

Medicaid is a joint federal-state program that provides health insurance for many low-income Americans. It also pays for long-term care for older and disabled people with low incomes and resources, and those who have high health care expenses. Medicaid may cover personal care aide services, home health care, adult day programs, and nursing home care. The covered services can vary by state. To qualify for Medicaid, you must meet the income and asset requirements in your state. To get help at home, you also need to have a serious physical or mental condition.

The rules for Medicaid eligibility are complicated and vary from state to state. Taking out a home loan may affect your eligibility for Medicaid or other programs that are based on income and resources, depending on how you handle the money. To learn more, talk to a senior services counselor, social services agency, or knowledgeable financial advisor.

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## Department of Veterans Affairs (VA)

The VA provides long-term care services primarily to veterans with a service-related disability, low-income veterans, and former prisoners of war. Veterans may be eligible for nursing home care, assisted living, or help at home, including respite care, homemaker services, home health care, or adult day care, as well as home modifications such as ramps. If you are a veteran, you and sometimes your spouse may receive low-cost care in state veterans homes. You also may be able to pay for home repairs and modifications by refinancing your house with a low-cost VA loan.



## Medicare

Medicare, the national health insurance program for seniors, mainly covers medical care (doctors and hospitals), rather than long-term care. Under limited circumstances, it will pay for a home health aide, but only while you get skilled nursing care or rehabilitation therapies at home. Once you no longer need skilled care, Medicare will stop paying for home health care. This is true even if you still need help with everyday activities.

## Energy/Weatherization Assistance

The Low-Income Home Energy Assistance Program can help with fuel bills so you can stay warm in the winter and cool in the summer. The Weatherization Assistance Program can help make your home more energy efficient and reduce your heating and cooling costs. Both programs are available to those with low incomes, and priority is given to households with a senior, person with disability, and/or young children.

# Other Resources to Help You Live at Home

**Y**our local Area Agency on Aging offers a wide array of services. These can include help with household chores, meals served in community locations or delivered to your home, adult day care programs, caregiver support, senior centers, protective services, and legal help. Information and counseling to help you find and access the services you need are also provided. You may be able to get these programs free or at very low cost.

Many communities also provide low-cost services so that seniors can continue to live at home. These programs may include special transportation programs, friendly visits or telephone checks to seniors who live alone, light housekeeping, and help with home modifications or repairs. Faith-based organizations and charities also can help.



# Where to Go for More Information

**BenefitsCheckUp<sup>®</sup>** is a quick, confidential, and free web service that helps you find federal, state, local, and private benefit programs for which you may be eligible: [www.BenefitsCheckUp.org](http://www.BenefitsCheckUp.org)

**Eldercare Locator** can help you find services and programs in your area: Call 1-800-677-1116 or check the web at [www.eldercare.gov](http://www.eldercare.gov)

The **Fall Prevention Center of Excellence** offers tips on how to check if homes are safe for elders and how to pay for home modifications: [www.homemods.org](http://www.homemods.org)

The **Family Care Navigator** can help to find resources for families who are caring for a loved one: [www.caregiver.org/family-care-navigator](http://www.caregiver.org/family-care-navigator)

The **Consumer Financial Protection Bureau's Ask CFPB** website provides answers to many consumer questions about reverse mortgages: [www.consumerfinance.gov/askcfpb/224/what-is-a-reverse-mortgage.html](http://www.consumerfinance.gov/askcfpb/224/what-is-a-reverse-mortgage.html)

The **National Reverse Mortgage Lenders Association** has consumer publications and a reverse mortgage calculator. Visit [www.reversemortgage.org](http://www.reversemortgage.org)

The **National Energy Assistance Referral** is a free service to learn where to apply for the Low-Income Home Energy Assistance Program and the Weatherization Assistance Program. Call 1-866-674-6327.

## Tips for Older Homeowners

### **Look at the big picture**

Your ability to live at home is likely to change over time. It is important to look at your financial situation beyond what you need right now. Short-term solutions could be risky if you require ongoing funds for several years. It helps to save some of your home equity so you have the option of moving to a better living situation.

### **Don't wait until the last minute**

Timing is critical when making decisions about the home. You or your family could end up facing a serious cash crunch if you wait until a crisis to start thinking about how to tap home equity. To avoid stress, disappointment, and costly delays, plan in advance. The longer you wait, the harder it can be to find a good solution.

### **Have ready cash for emergencies**

It helps to have a three-month emergency fund of cash you can access easily, such as a money market account or short-term certificate of deposit. If this is not possible, make plans and prepare for how you would pay for an emergency. If you run short, use credit cards sensibly. Beware of anyone who offers a quick fix to your financial problems.

## **Create a family budget**

A sudden change in health can disrupt the best laid financial plans. You will need to monitor your finances each month to keep family affairs running smoothly. The best way to understand your family's cash flow needs is to create a budget.

## **Talk to your family**

It can be hard to discuss personal financial matters. However, good communication can bring a family together and reduce confusion. Talk with family or other heirs before taking out a reverse mortgage loan. They will need to pay off the loan balance if they want to keep the house. However, remember that the final decision is yours.

## **Don't rush into any decision**

If you decide to take out a home loan, weigh all the options to find the best solution for you. Shop around with different lenders to check that the interest rate and fees are competitive and fair.

Only sign papers that you understand. Ask questions if you are confused. Get help from a trusted family member or friend who understands financial matters. Agencies that offer reverse mortgage counseling can give you independent information.

The only time you need to act quickly is if you have already signed a loan contract and then change your mind. Federal law gives you three days to get out of a reverse mortgage or home equity loan contract. You may cancel the loan for any reason, but you must do it in writing within three days.

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## About NCOA

The National Council on Aging (NCOA) is the national voice for every person's right to age well. NCOA empowers individuals with trusted solutions to improve their own health and economic security—and protects and strengthens federal programs that people depend on as they age. Working with a nationwide network of partners, NCOA's goal is to improve the lives of 10 million older adults by 2020. Learn more at [ncoa.org](http://ncoa.org) and [@NCOAging](https://www.instagram.com/NCOAging).



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