



USE YOUR HOME TO STAY AT HOME

Role of Reverse Mortgages to Pay for Long-Term Care at Home



Press Briefing
National Council on the Aging

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Aging in Place - Today's Challenges

- Americans are living longer. Most want to stay at home as they age (“aging in place”).
- Older homeowners have modest incomes (median household income in 2003 was \$25,634).
- This makes it difficult to pay for supportive services and home modifications that help impaired elders at home.
- Older homeowners are reluctant to tap home equity until they face a crisis. Then they are likely to sell the home.

Is there a better way?



New Research by NCOA

- Goal – To evaluate the potential of using reverse mortgages to help elders “age in place.”
- Study funded by the Robert Wood Johnson Foundation and CMS.
- Results - Reverse mortgages could significantly increase the funds available to older homeowners for the help they need to stay at home.
- These results represent the first phase of the effort. We will be meeting with our panel of experts to evaluate the implications of these findings.

Reverse Mortgages – The Basics

- A loan that allows homeowners age 62+ to convert home equity into cash while living at home for as long as they want.
- Borrowers continue to own the home.
- Can receive payments as a lump sum, line of credit, monthly payments (for up to life).
- Loan comes due when the (last) borrower moves out, dies, or sells the home.
- Never owe more than the value of the house.
- Most popular type – HECM loan offered by HUD

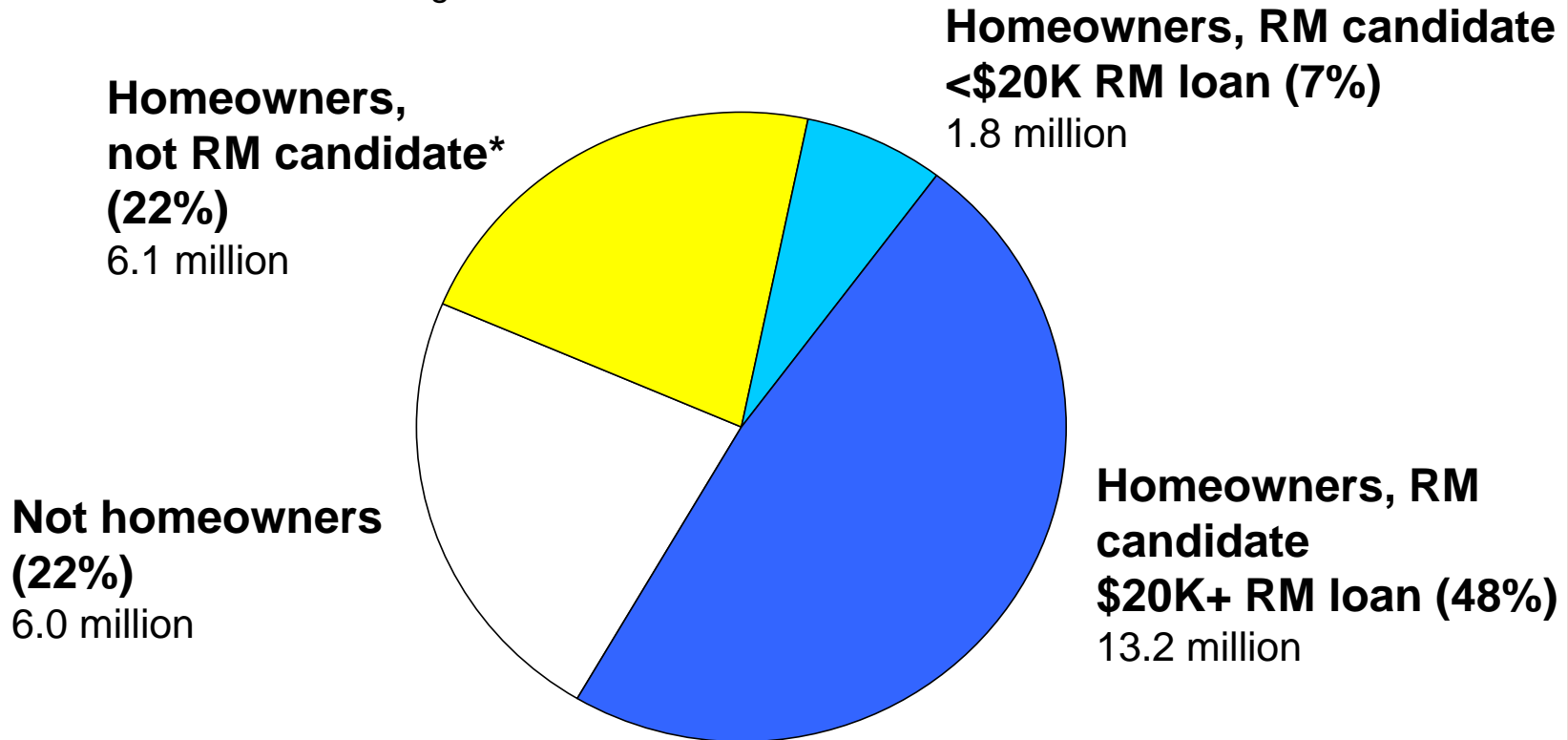


Using Reverse Mortgages* to Pay for Help at Home

*Home Equity Conversion Mortgages (HECM)

13.2 million older (age 62+) households are candidates for a RM for LTC

N=27.5 million households age 62+**

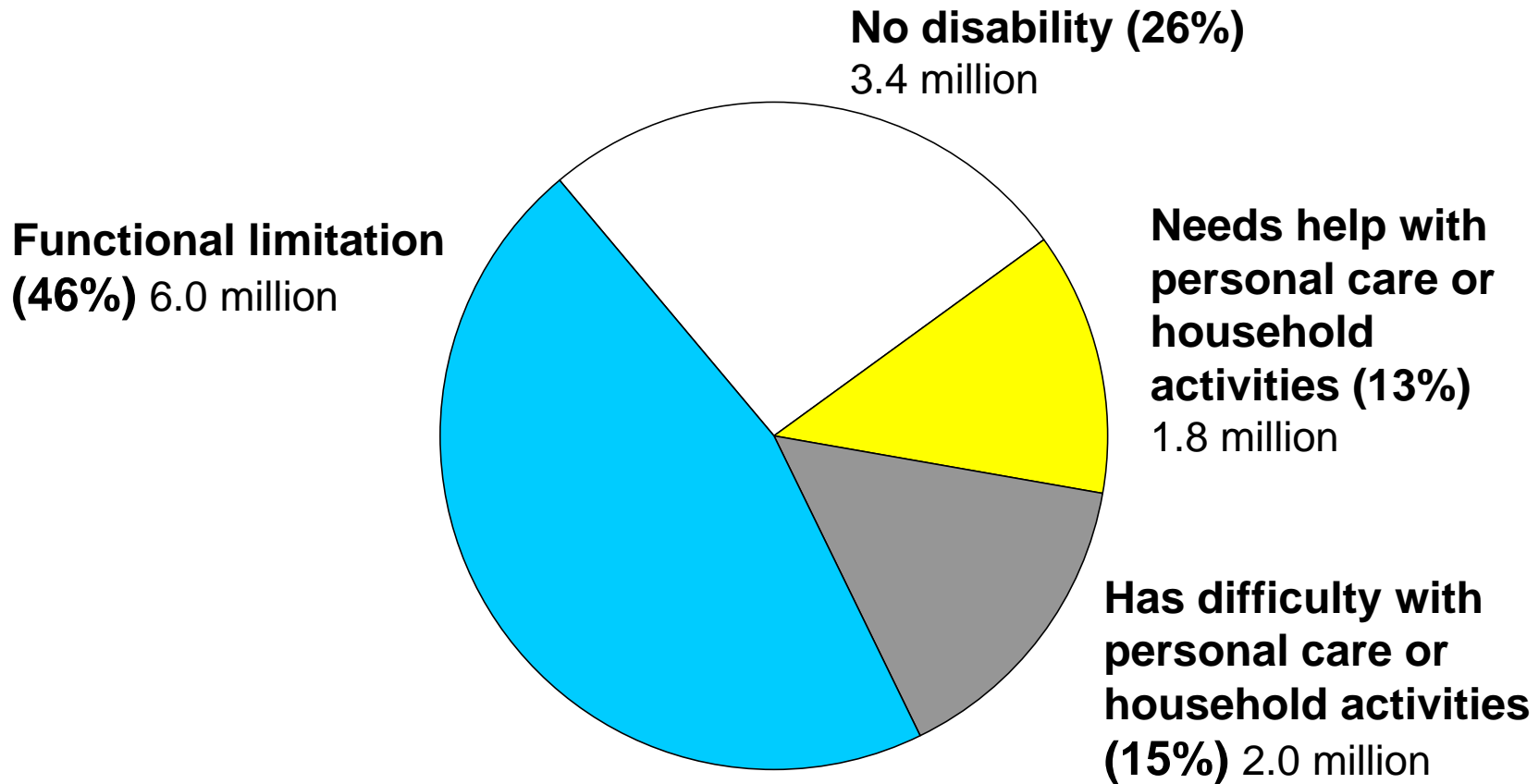


* Not a RM candidate – mobile home as primary residence, spouse age <62, insufficient equity.

** Home ownership status unknown among 1% of total households (0.4 million).

Most households have an impairment that can make it difficult to stay home

N=13.2 million candidate households



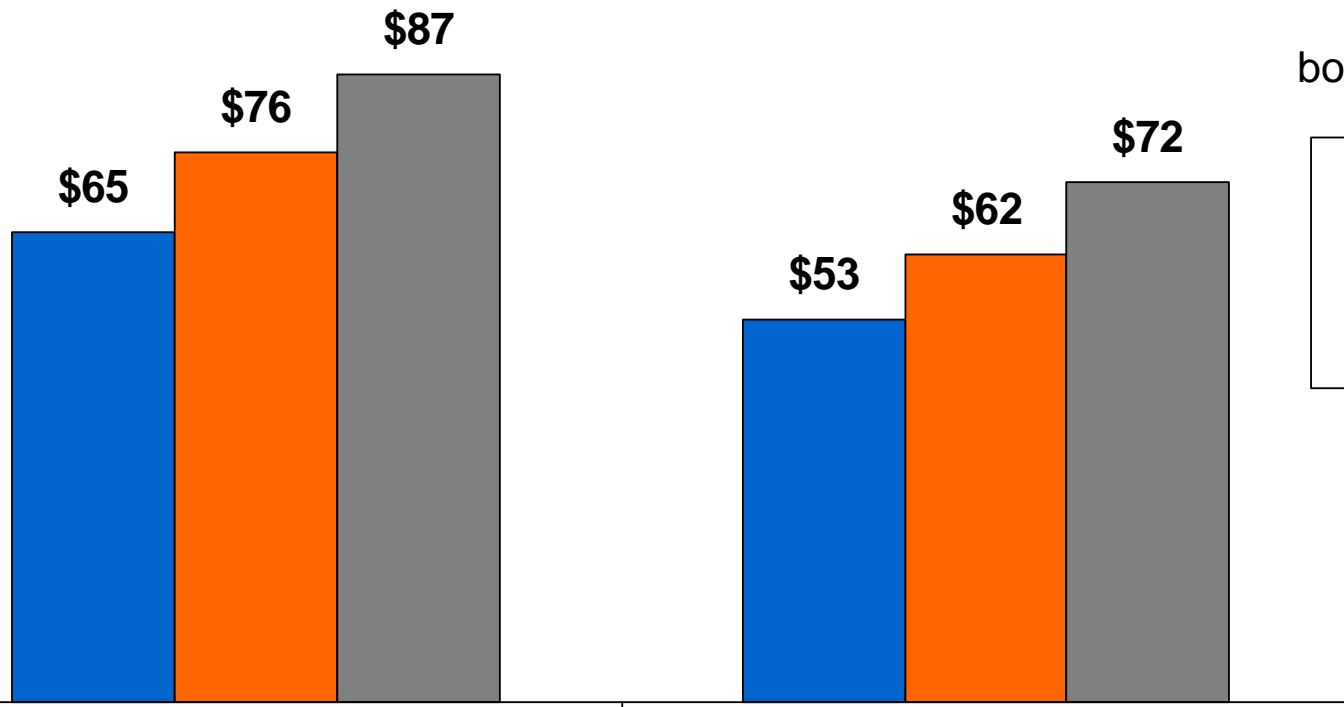
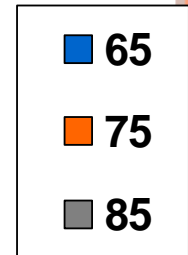
Source: NCOA analysis based on data from the 2000 Health and Retirement Study.

Reverse mortgages can provide substantial funds to impaired elders



\$ in thousands

Youngest borrower age



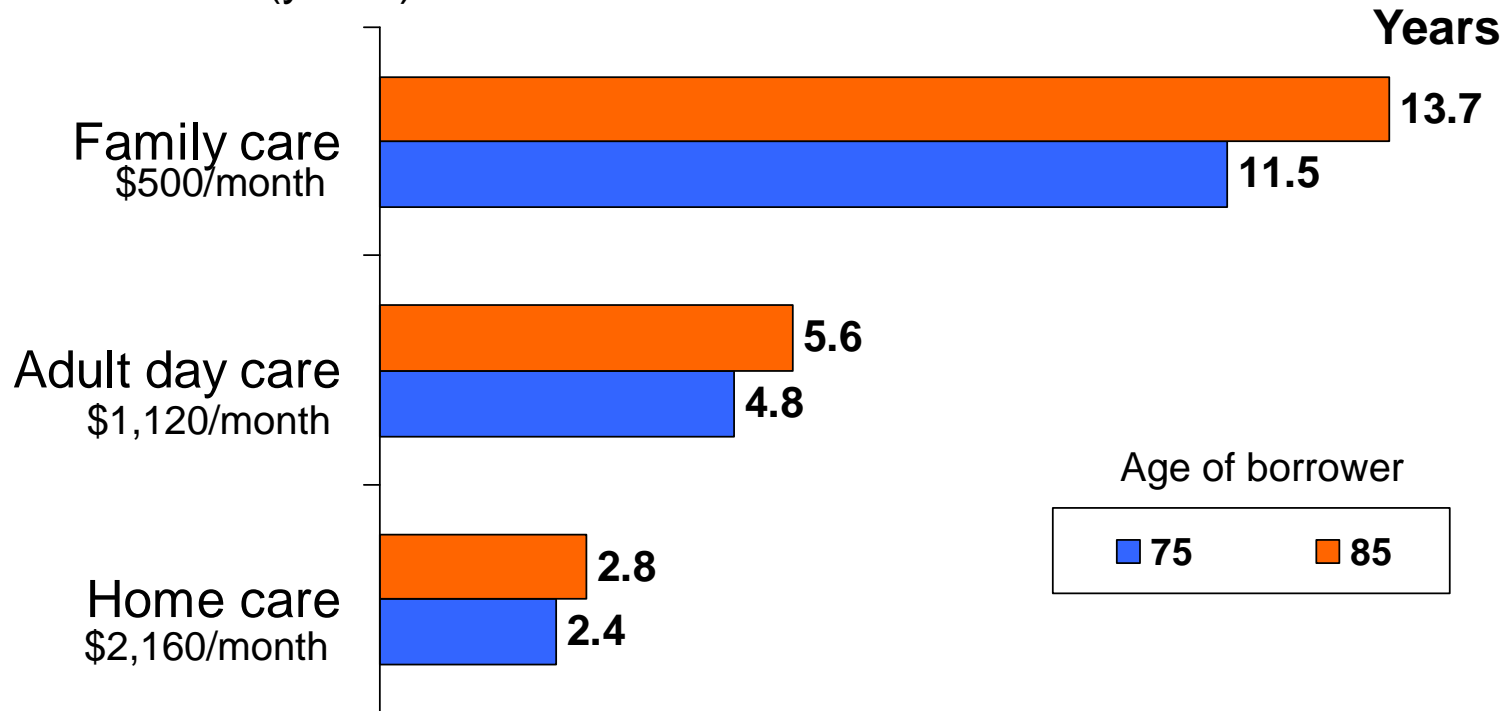
Median home equity

No disability **Need help - Personal care (ADLs)**
 \$120,000 \$100,000

Source: NCOA analysis using the AARP reverse mortgage calculator and data from the 2000 Health and Retirement Study. HECM values assume no debt on the home.

Reverse mortgage funds could pay for home care for many years


Likely duration of funds based on monthly withdrawals from a HECM creditline (years)*



*Estimates based on HECM amount for a \$100K home and an annual creditline interest rate of 4.35%. Source: NCOA analysis using the AARP reverse mortgage calculator

Summary of Findings

- Almost half (48%) of households age 62+ are candidates for using a reverse mortgage for LTC (13.2 million).
- 9.8 million candidate households are dealing with an impairment that can make it hard to live at home.
- Candidate households dealing with an impairment could access \$695 billion in total through reverse mortgages.

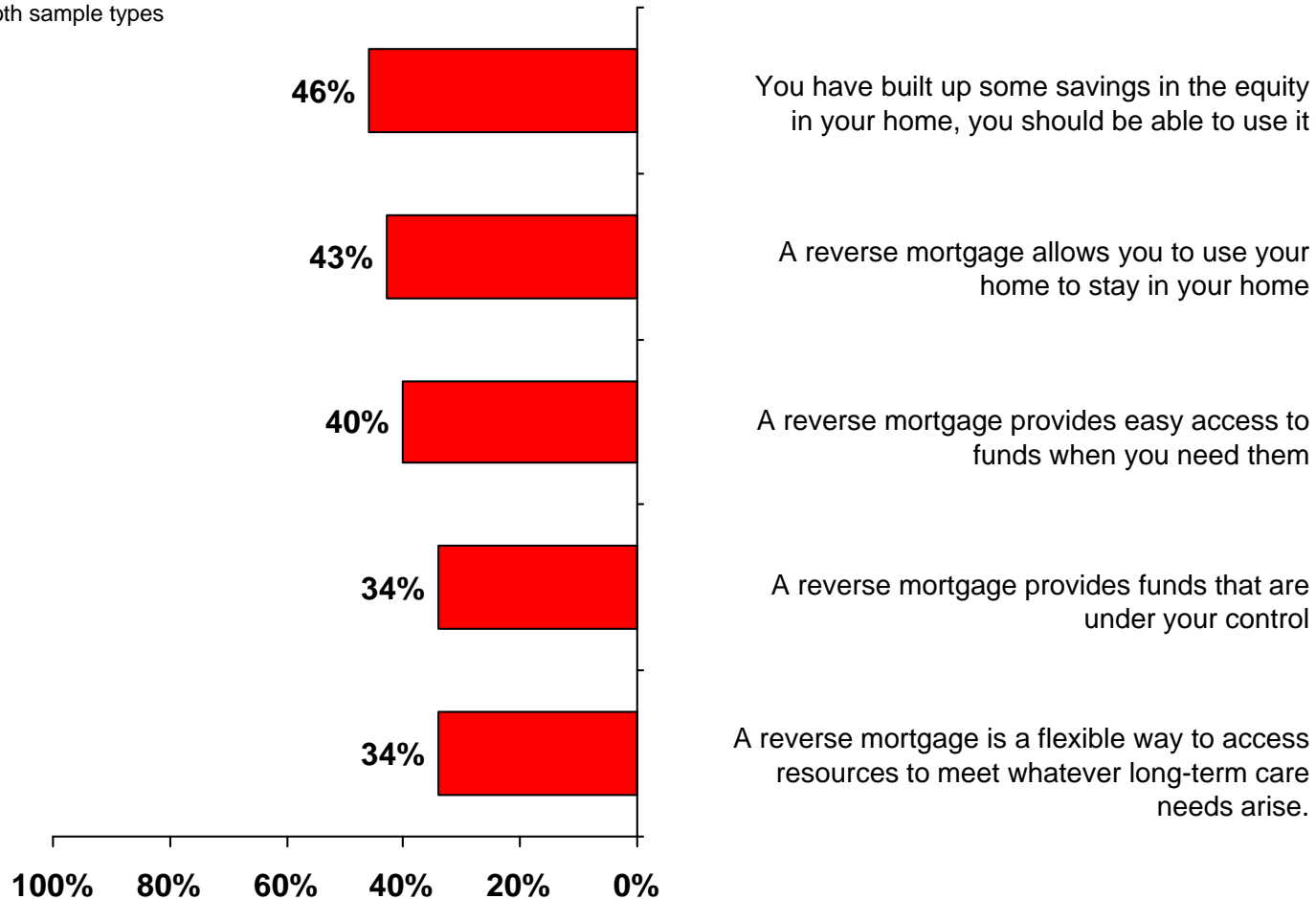


Consumer Attitudes Using Reverse Mortgages to Pay for Supportive Services

Attitudes of senior homeowners to using home equity



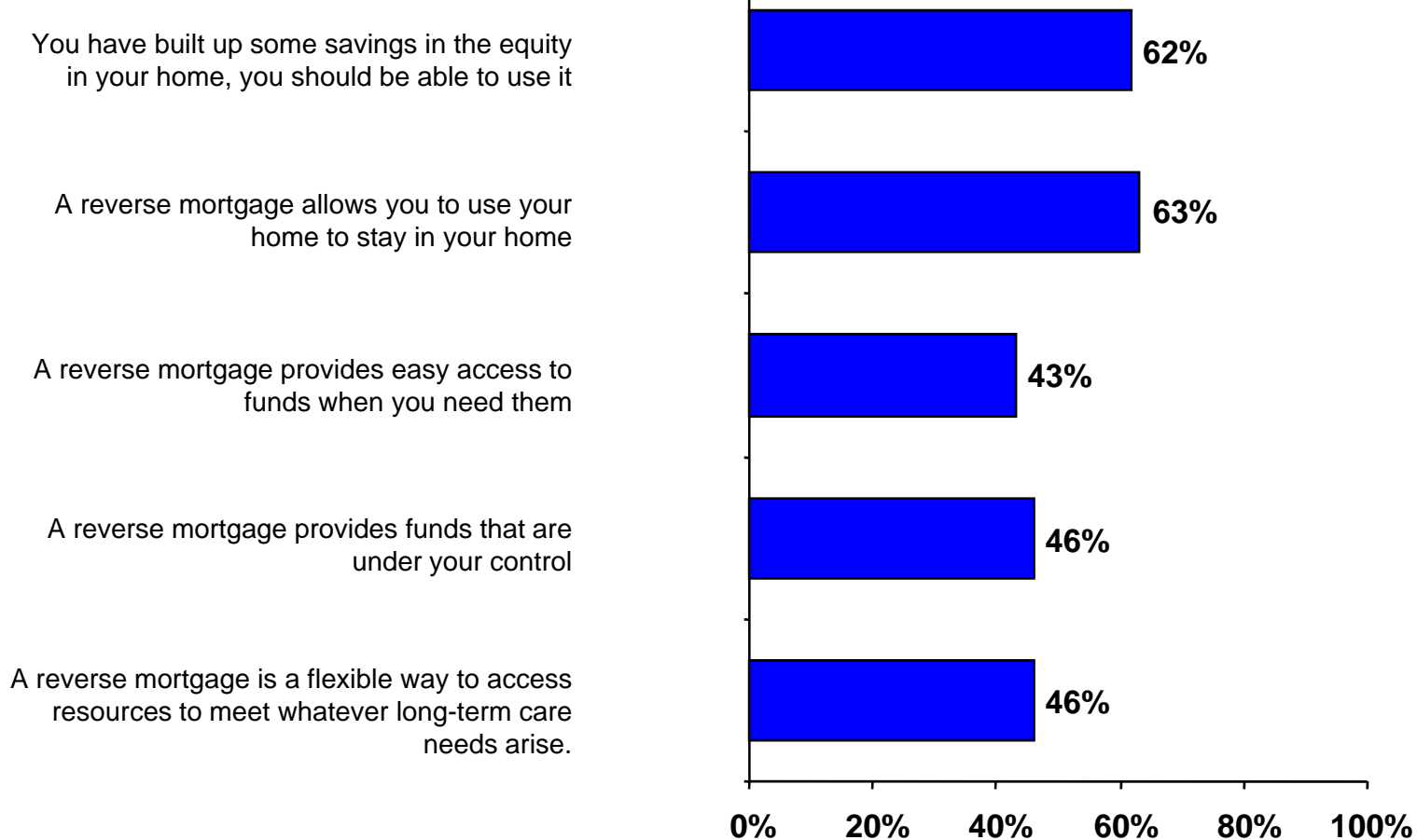
n= 100 in both sample types



Attitudes of children of homeowners to using home equity

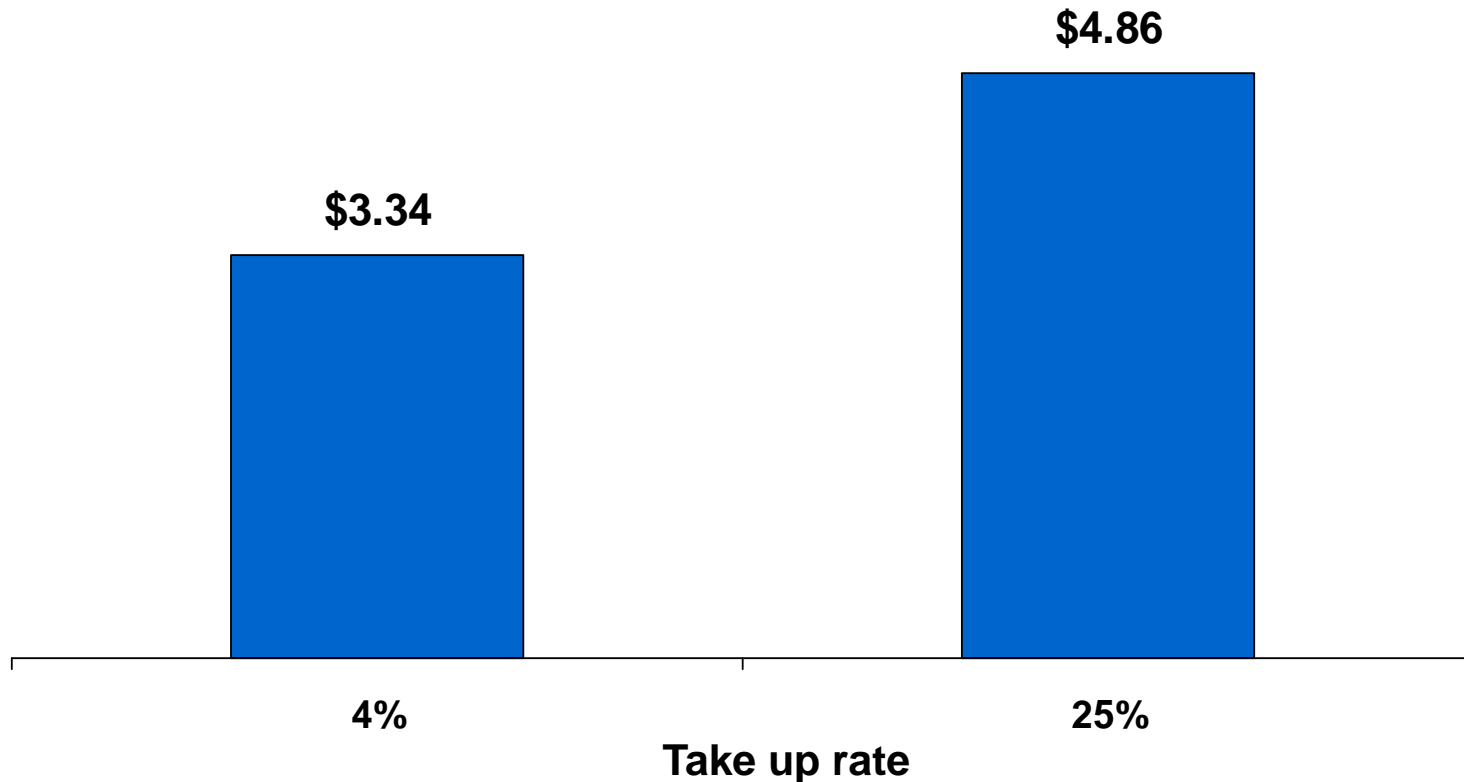


n= 100 in both sample types



Greater use of reverse mortgages could save Medicaid funds for LTC

Annual savings in \$ billions



Source: Lewin Group projections based on the Long-Term Care Financing Model. Anticipated savings in 2010.

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Barriers and Options for Action

Key barriers limiting the use of reverse mortgages for LTC

- Myths and misperceptions about reverse mortgages.
- High closing costs for these loans.
- Tapping home equity may limit eligibility for public LTC programs.
- Worries about fraud and scams.
- Impaired elders may not be able to continue to live at home very long due to their chronic condition.
- Fear of impoverishment.

Options for Action

- Examine Medicaid policy and public incentives.
- Strengthen consumer protections.
- Education to increase consumer awareness and acceptance.
- Reduce the cost of tapping home equity.
- Promote innovation.
- Conduct additional research.