

# **Using Reverse Mortgages to Help Impaired Seniors to Stay at Home: A New Public-Private Partnership Option for Washington State**

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# The opportunity

- **Partner with the mortgage industry to create a state-run reverse mortgages for LTC program.**
  - Loans funded by lenders, not the state.
  - Negotiate with lender partner to reduce loan costs.
- **Be a leader in finding LTC financing solutions for frail and impaired seniors at risk for Medicaid.**
  - NCOA and ASPE are only working with WA State to find out what works – model for the nation.
  - Potential cost savings by reducing or avoiding the need for Medicaid LTC among modest income families.
  - Bring home equity into the LTC financing system.
- **Reduce the risk that older homeowners lose the house due to foreclosure.**

# Challenge #1: Get a better deal from lenders

- Lower “sticker shock” by reducing loan costs and fees.
- Increase the suitability of the loan among seniors with modest value homes.
- Increase the funds available to borrowers.

Potential Increases in Loan Amount Available to Borrowers From Different Incentives, by Home Value and Age of Borrower (7/9/07)						
	\$85,000		\$150,000		\$362,000	
	added funds \$	% costs lower	added funds \$	% costs lower	added funds \$	% costs lower
<b>Flat \$2000 origination fee</b>						
Age 85	\$0	0%	\$1,000	8%	\$5,240	25%
Age 75	\$0	0%	\$1,000	7%	\$5,240	24%
<b>Eliminate service fee (for extra interest charge)</b>						
Age 85	\$3,854	38%	\$3,854	31%	\$3,854	19%
Age 75	\$5,084	45%	\$5,084	37%	\$5,084	23%
<b>Flat \$2000 origination fee + no service fee</b>						
Age 85	\$3,854	38%	\$4,854	39%	\$9,094	44%
Age 75	\$5,084	45%	\$6,084	45%	\$10,324	47%

# Challenge #2: Stretch loan funds to keep elders at home longer

- **Lower the amount that borrowers have to draw each month.**
  - Expand property tax exemptions.
  - Discounts on LTC service costs.
- **Provide additional supports to help borrowers avoid or reduce costly health risks.**
  - Respite and family caregiver training.
  - Health promotion, falls prevention, Meals on Wheels, etc.
- **Additional education and oversight to make sure home equity is used wisely.**
  - Reverse mortgage counseling for impaired elders.
  - Care coordination, fiscal intermediary, Cash+Counseling?

# Resources available from NCOA to support this effort

- **Aging in Place Reverse Mortgage Counseling Network (AIPN).**
  - NCOA partnership with AoA and Money Management.
  - Provide training and support to ADRCs/AAAs to offer HUD-approved reverse mortgage counseling.
  - HUD funds to pay for counseling sessions.
- **Focus groups to learn from consumers.**
  - AoA grant to NCOA to conduct focus groups in 3 states.
  - Will start project in August-September.
- **Partnership with ASPE and National Governor's Association.**
  - Expect ASPE grant to NCOA to provide technical support.
  - What we learn in WA can be basis for national program.