Home Equity

Many older adults are “house rich but cash poor.” They own their homes, but struggle to make ends meet due to limited income. Accessing home equity can be a useful financial tool for some older homeowners to age in place.

Housing

- One third of senior households owes money on a mortgage and/or home equity line of credit. Of these, nearly 30% have payments that exceed one quarter of their income. (Survey of Consumer Finances, 2013)
- From 2007 to 2011, the mortgage foreclosure rate increased from 0.25% to 2.55% in the age group of 65 to 74. Among consumers aged 75+, the foreclosure rate increased from 0.33% to 3.19%. (Trawinski & AARP, 2012)
- From 2007 to 2011, more than 1.5 million older Americans lost their homes as a result of the mortgage crisis. (Trawinski & AARP, 2012)

Home Equity

- From 2000 to 2010, the share of overall wealth in home equity among homeowners aged 65+ decreased from 33% to 23%. (Census Bureau, 2011)
- Approximately 3.5 million older homeowners are underwater on their loans and have no home equity. (Trawinski & AARP, 2012)

Reverse Mortgages

A reverse mortgage is a type of home loan that allows seniors to convert the equity in their home to cash to meet a wide range of financial needs. Currently the primary product on the reverse mortgage market is the Home Equity Conversion Mortgage (HECM). A HECM is a product insured by the Federal Housing Administration (FHA).

Homeowners must meet several basic eligibility requirements to apply for a HECM loan:

- Be age 62 or older
- Occupy the home as the primary residence
• Own the home (existing mortgage must be paid off before or at closing)
• Live in an eligible property

With a reverse mortgage, the borrower accesses cash from their home equity, and retains the title of the home. Borrowers must fulfill the obligations below or they may be at risk of foreclosure:

• Keep the home in good repair
• Pay property taxes and homeowners’ insurance
• Occupy the house as their primary residence

In addition to foreclosure risk, there are other risks with taking out a reverse mortgage, including:

• High closing costs
• Effects on benefits and heirs
• Chance of exhausting funds too quickly

Any older homeowner considering a reverse mortgage must first meet with a government-approved reverse mortgage counselor before their loan application can be processed.

NCOA’s Role

NCOA, through partnerships and tools, helps seniors explore how to use their home equity wisely.

Reverse Mortgage Counseling

NCOA has partnered with GreenPath Financial Wellness—a nonprofit financial wellness organization approved by the U.S. Department of Housing & Urban Development (HUD) to do housing counseling—to offer reverse mortgage counseling to older homeowners. Counseling sessions last between one to two hours and follow a federally mandated protocol. The counselors can also assist clients with applying for benefits and finding local community services. The toll-free number for this service is 855-899-3778. Learn more at ncoa/RMCounseling.

Use Your Home to Stay at Home®

NCOA’s Use Your Home to Stay at Home® is the official federally approved consumer booklet for older homeowners considering a reverse mortgage. Learn more at ncoa/RMBooklet.

BenefitsCheckUp®

NCOA’s BenefitsCheckUp® is the nation’s most comprehensive free, online service to screen seniors with limited income for benefits. It includes more than 2,000 public and private benefits programs from all 50 states and the District of Columbia. Learn more at BenefitsCheckUp.org. All HECM counseling clients must be offered the option of completing a BenefitsCheckUp® screening.

Media Contact: Vanessa Sink, 571-527-3914 vanessa.sink@ncoa.org

About NCOA

The National Council on Aging (NCOA) 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 and @NCOAging.