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Healthy Aging

Special Edition 2018

You've probably heard of a reverse mortgage, but you might not be aware that there are various types, each with its own benefits and disadvantages. This issue of **Healthy Aging** *presents an in-depth article to introduce you to reverse mortgages so that you can consider if one might serve your financial needs. You'll also find resources where you can learn more before making any decisions. If you have a specific question about reverse mortgages, check out our list of frequently asked questions, with a link to the answers online. In addition, you can understand reverse mortgages more fully after reading "The History and Benefits of a Reverse Mortgage."*

And even if you don't own a home and aren't considering a reverse mortgage, please consider applying to be a 2018 Missouri Institute on Minority Aging (MIMA) king or queen. We at Lincoln University Cooperative Extension (LUCE) are excited to learn from you. ■

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Reverse Mortgage Frequently Asked Questions

Is it expensive?

When does it have to be paid back?

Why are there no monthly mortgage payments?

Are there limits on how I can use the money?

Does obtaining a reverse mortgage mean the bank owns the home?

Will benefactors of my estate be able to inherit the home?

Can the homeowner get forced out of the home?

Will Social Security or Medicare benefits be affected?

Are taxes owed on a reverse mortgage?

Is it similar to a home equity loan?

I live with my parents who have a reverse mortgage loan. What should I do when they pass away?

Follow this link for answers to the above questions: https://reverse.org/reverse-mortgage-faqs/. ■

How Do Reverse Mortgages Work?

Source: United States Federal Trade Commission

When you have a regular mortgage, you pay the lender every month to buy your home over time. In a reverse mortgage, you get a loan in which the lender pays you. Reverse mortgages take part of the equity in your home and convert it into payments to you–a kind of advance payment on your home equity. The money you get usually is tax-free. Generally, you don't have to pay back the money for as long as you live in your home. When you die, sell your home or move out, you, your spouse or your estate would repay the loan. Sometimes that means selling the home to get money to repay the loan.

There are three kinds of reverse mortgages: (1) single-purpose reverse mortgages, offered by some state and local governmental agencies as well as nonprofits; (2) proprietary reverse mortgages, which are private loans; and (3) federally insured reverse mortgages, also known as Home Equity Conversion Mortgages (HECMs).

A reverse mortgage of any kind is a loan in which you borrow against the equity in your home. You keep the title to your home. Instead of paying monthly mortgage payments, though, you get an advance on part of your home equity. The money you get usually is not taxable, and it generally won't affect your Social Security or Medicare benefits. When the last surviving borrower dies, sells the home or no longer lives in the home as a principal residence, the loan must be repaid. In certain situations, a non-borrowing spouse may be able to remain in the home. Here are some things to consider about reverse mortgages:

- **There are fees and other costs.** Reverse mortgage lenders generally charge an origination fee and other closing costs as well as servicing fees over the life of the mortgage. Some also charge mortgage insurance premiums (for federally insured HECMs).

- **You owe more over time.** As you receive money through your reverse mortgage, interest is added to the balance you owe each month. This means that the amount you owe grows as the interest on your loan adds up over time.

- **Interest rates may change over time.** Most reverse mortgages have variable rates, which are tied to a financial index. They change with the market. Variable rate loans tend to give you more options on how you get your money through the reverse mortgage. Some reverse mortgages–mostly HECMs–offer fixed rates, but they tend to require you to take your loan as a lump sum at closing. Often, the total amount you can borrow is less than you could get with a variable rate loan.

- **Interest is not tax-deductible each year.** Interest on reverse mortgages is not deductible on income tax returns until the loan is paid off, either partially or in full.

- **You have to pay other costs related to your home.** In a reverse mortgage, you keep the title to your home. That means you are responsible for property taxes, insurance, utilities, fuel, maintenance and other expenses. And, if you don't pay your property taxes, keep homeowner's insurance or maintain your home, the lender might require you to repay your loan. A financial assessment is required when you apply for the mortgage. As a result, your lender may require a "set-aside" amount to pay your taxes and insurance during the loan. The "set-aside" reduces the amount of funds you can get in payments. You are still responsible for maintaining your home.

- **What happens to your spouse?** With HECM loans, if you signed the loan paperwork and your spouse didn't, in certain situations, your spouse may continue to live in the home even after you die, if he or she pays taxes and insurance, and continues to maintain the property. But your spouse will not get money from the HECM because he or she was not part of the loan agreement.

- **What can you leave to your heirs?** Reverse mortgages can use up the equity in your home, which means fewer assets for you and your heirs. Most reverse mortgages have something called a "non-recourse" clause. This means that you or your estate cannot owe more than the value of your home when the loan becomes due and the home is sold. With an HECM, generally, if you or your heirs want to pay off the loan and keep the home rather than sell it, you would not have to pay more than the appraised value of the home.

Types of Reverse Mortgages

As you consider whether a reverse mortgage is right for you, also consider which of the three types of reverse mortgages might best suit your needs.

Single-purpose reverse mortgages are the least expensive option. They're offered by some state and local government agencies as well as nonprofit organizations, but they're not available everywhere. These loans may be used for only one purpose, which the lender specifies. For example, the lender might say the loan may be used only to pay for home repairs, improvements or property taxes. Most homeowners with low or moderate income can qualify for these loans.

Proprietary reverse mortgages are private loans that are backed by the companies that develop them. If you own a higher-valued home, you may get a bigger loan advance from a proprietary reverse mortgage. So, if your home has a higher appraised value and you have a small mortgage, you might qualify for more funds.

Home Equity Conversion Mortgages (HECMs) are federally insured reverse mortgages and are backed by the U.S. Department of Housing and Urban Development (HUD). HECM loans can be used for any purpose.

Shopping for a Reverse Mortgage

If you're considering a reverse mortgage, shop around. Decide which type of reverse mortgage might be right for you. That might depend on what you want to do with the money. Compare the options, terms and fees from various lenders. Learn as much as you can about reverse mortgages before you talk to a counselor or lender. And ask lots of questions to make sure a reverse mortgage could work for you and that you're getting the best kind to match your needs.

Here are some things to consider:

- **Do you want a reverse mortgage to pay for home repairs or property taxes?** If so, find out if you qualify for any low-cost, single-purpose loans in your area. Staff at your local Area Agency on Aging may know about programs in your area. Find the nearest agency on aging at eldercare.gov, or call (800) 677-1116. Ask about any of these programs and how to apply for them: (1) loan or grant pro-

Reverse Mortgages, *continued from page 2*

grams for home repairs or improvements, (2) property tax deferral, or (3) property tax postponement programs.

- **Do you live in a higher-valued home?** You might be able to borrow more money with a proprietary reverse mortgage. But the more you borrow, the higher the fees you'll pay. You also might consider an HECM loan. An HECM counselor or a lender can help you compare these types of loans side by side, to see what you'll get and what it costs.

- **Compare fees and costs.** This bears repeating: shop around and compare the costs of the loans available to you. While the mortgage insurance premium is usually the same from lender to lender, most loan costs—including origination fees, interest rates, closing costs and servicing fees—vary among lenders.

- **Understand total costs and loan repayment.** Ask a counselor or lender to explain the Total Annual Loan Cost (TALC) rates: they show the projected annual average cost of a reverse mortgage, including all the itemized costs. And, no matter what type of reverse mortgage you're considering, understand all the reasons why your loan might have to be repaid before you were planning to do so.

Report Possible Fraud

If you suspect a scam or that someone involved in the transaction may be breaking the law, let the counselor, lender or loan servicer know. Then, file a complaint with the Federal Trade Commission, your state Attorney General's office or your state banking regulatory agency.

Whether a reverse mortgage is right for you is a big question. Consider all your options. You may qualify for less costly alternatives. The following organizations have more information:

- **U.S. Department of Housing and Urban Development (HUD)** HECM Program: 800-CALL-FHA [(800) 225-5342].
- **Consumer Financial Protection Bureau** Considering a Reverse Mortgage?: (855) 411-CFPB [(855) 411-2372].
- **AARP Foundation** Reverse Mortgage Education Project: (800) 209-8085.

Source: United States Federal Trade Commission, www.ftc.gov or https://www.consumer.ftc.gov/articles/0192-reverse-mortgages.

The History and Benefits of a Reverse Mortgage

Laura Judkins, Marketing Manager, ReverseMortgage.com

The very first reverse mortgage was born from a simple act of kindness. In 1961, Nellie Young of Portland, Maine, received the first written reverse mortgage after the death of her husband, allowing her to remain in her home. Unable to make ends meet, Nellie faced the dangers of losing her home. Through a compassionate act by Nelson Hayes of Deering Savings and Loan, the reverse mortgage was innovated (the first loan of any specific kind). What started as generosity to his former football coach's wife soon revolutionized the mortgage industry by allowing homeowners to remain in their homes by using the available equity.

The reverse mortgage product soon grew in popularity across the nation during the 1970s, and, by 1987, Congress passed the Federal Housing Administration (FHA) bill, insuring reverse mortgages. President Ronald Reagan signed the FHA Reverse Mortgage Bill into law on February 5, 1988. Although the reverse mortgage loan was initially created to save someone in danger of losing their home, it has evolved over the last 30 years and grown into a versatile program that can be implemented in a variety of ways.

Since its humble beginnings, the reverse mortgage program has developed into a financial tool for senior citizens with both immediate needs and those engaging in future planning. Unfortunately, many people associate the reverse mortgage with negative misconceptions and have inaccurately labeled it "the loan of last resort." This could not be further from the truth. Though the loan program was created to keep senior citizens in their homes, it has developed into an effective option for retirement funds and financial organization in the right situation, for the right borrower.

The Benefits of a Reverse Mortgage

Homeowners age 62 and older can supplement their retirement income by converting a portion of their home's equity into accessible cash. Borrowers are freed from making monthly mortgage payments under a reverse mortgage, enabling them to stay in their homes. The loan balance only becomes due if the borrower decides to sell the home, passes away or fails to pay home

maintenance costs, property taxes or homeowner insurance. This powerful loan allows borrowers to age at home, while having an additional source of funds to remain in place long term.

Today, the reverse mortgage program aids thousands of senior citizens by giving them the ability to use their home equity for anything. Immediate needs, such as home improvement, debt consolidation, access to available funds or eliminating your monthly mortgage payment—while continuing to pay property taxes, homeowner insurance and maintenance costs—are a few examples. Borrowers can also meet any future planning goals by creating emergency funds for living expenses or to plan for unexpected costs, such as medical expenses.

Since its creation, reverse mortgage loans have undergone many changes to make the program safer, including its most recent introduction of the financial assessment. The financial assessment ensures a client can uphold the financial responsibilities required by a loan. Other recent changes have included adding newer protections and requirements for non-borrowing spouses.

Just as with any financial decision, you should fully understand the benefits and drawbacks of a reverse mortgage to make an informed decision. The best way to determine if a reverse mortgage is right for you is to consult a reverse mortgage specialist to discuss the product further.

Banking Terms

Source: https://wordmint.com/public_puzzles/32421

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L D J C Z P H A H W A B N S G N I V A S O I H S
W A R D H T I W R L B Y O H L O R O O N O R X H
K Q M B R B B U H E L N I J Q E H E L F R D F M
U X L H E Y Z Z W K B Y M M D M Z I D T P I W E
K M N K T P S E K X X M I M B D N A C C O U N T
W B N H S A C I U E B N U X Q E Z X W O T M W O
V A J E I B H C K D T J G N B L D R B L O O I H
B Y G L G M B F W E E M V A G L Z K I Q N D V O
W Y Z E E D P C R P B P N A A N C Q L D I I A C
O V P C R L K E U Z C K O R U O I E L G V P Q R
Y L X T K U S N M N I X Q S E M R T S I Z D M E
X R R R C T G A V I K Y A W I O C S U C D P P D
Q R O O E R U V N Q E C V W D T Z K G O S W O I
O I W N H F X G G N B J V E G W N T T A R R J T
I F X I C C I M O E T U B Y C N E R R U C X A U
P F K C W H L M X U D I S N G E S J H R W M P N
B P E T C E F O H H T V C W R R N D X N A R K I
N F S R F C B F Z C K U V S N I O C S M I X T O
T F Q A C K I B A E O D G C J A W X O O D K U N
I Y D N X T V R R A Z K M S M N A R H J T V X D
X F M S P D D E K W O T Y D G Y C B O U T O A V
E N F F R P H F B T A P S Q T M Q H C E R D D F
S X M E G U F H S D I M J Q R E R J G T O B U K
V A S R O F P M J W F E D E R A L R E S E R V E
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Find these words:

debit card
bills
Federal Reserve
savings
eft
atm
cash

online banking
account
bank
currency
withdraw
check register
money

credit union
routing number
interest
coins
electronic transfer
deposit
check

Slow Cooker Hawaiian Pork Tacos

Start to finish: 8 hours and 10 minutes

Servings: 11

3 ½ pounds pork loin, fat trimmed

½ teaspoon ground black pepper

¼ teaspoon ground ginger

1 teaspoon cumin

1 medium onion, sliced

2 cloves garlic, minced

20-ounce can pineapple chunks in 100% juice, with juice

1 cup white wine

11, 6-inch corn tortillas, warmed

1 cup shredded lettuce

Place pork loin in a slow cooker. Sprinkle with pepper, ginger and cumin. Add onion and garlic to top. Pour pineapple chunks with juice and white wine over loin.

Cover and cook on high for 7-8 hours. Drain liquid, and shred pork with a fork.

Scoop about ½ cup of pork onto each tortilla. Top taco with shredded lettuce and additional toppings (as desired).

Dietitian's tip: Try topping these tacos with salsa, avocado slices and/or reduced-fat shredded cheese for even more flavor!

Nutrition information per serving: 272 calories; 5 g total fat (2 g saturated); 80 mg sodium; 410 mg potassium, 310 mg phosphorus; 21 g carbohydrate; 2 g dietary fiber; 0 g added sugar; 31 g protein.

(Recipe from the American Diabetes Association and Sam B. Cook Healthplex Capital Region Medical Center: http://sbchealthplex.crmc.org/special-use-pages/latest-blog-posts/support-blog/2017/06/06/slow-cooker-hawaiian-pork-tacos)

Paula J. Carter Center
on Minority Health and Aging
Lincoln University Cooperative Extension

Healthy Aging
NEWSLETTER

LUCE — PJCCMHA Staff

Yvonne Matthews, LUCE Associate Administrator and PJCCMHA Coordinator
Deborah Jenkins, M.A., Research Assistant I
Glenda Meachum-Cain, M.S., Community Outreach Worker

Contact us:

Lincoln University Cooperative Extension
Paula J. Carter Center on Minority Health and Aging
Lorenzo J. Greene Hall
900 Leslie Boulevard
Jefferson City, MO 65101

Additional contact information:
Phone: (573) 681-5530
Fax: (573) 681-5534
Email: PJCCMHA@LincolnU.edu

Visit our website:
http://www.lincolnu.edu/web/programs-and-projects/minority-health-and-aging

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