

Seniors Tap Home Equity to Offset Costs

By Jennifer Wake



When Lafayette resident Marilyn Finn, 68, attended a recent conference about hearing loss, she expected to see professionals in booths, like audiologists and hearing aid specialists . . . but mortgage brokers?

A mortgage broker from Milpitas sat inside a large booth under a sign emblazoned with "Reverse Mortgages." He had partnered with a hearing aid vendor, touting the loans as a way for seniors to pay for the uninsured cost of hearing aids. With most hearing aids costing an average of \$6,000 for two of the devices, the broker told Finn that tapping home equity in this way to pay for the aids was a "win/win."

Although Finn wasn't convinced, the National Reverse Mortgage Lenders Association anticipates a 57 percent increase in reverse mortgages this year, with borrowers expected to take out 120,000 of the most popular kind of reverse mortgage in 2007. And even with this sharp increase, lenders say they have penetrated only 1 percent of the senior homeowner market.

Reverse Mortgage Counselor Cherisse Baptiste at ECHO Housing in Hayward (which provides impartial third-party information to seniors regarding reverse mortgages in both Contra Costa and Alameda Counties) says it is becoming more and more common for senior clients to use reverse mortgages to pay for ever increasing medical costs.

"Many seniors just can't afford these costs and don't have a whole lot of options," said Baptiste, who regularly speaks about reverse mortgages to seniors. "It really is a case by case situation that has to be analyzed very carefully."

Echo Housing is one of several U.S. Department of Housing and Urban Development (HUD)-approved counseling centers that offer information for senior homeown-

ers to learn as much as possible about these loans without any commitment or pressure. Counselors spend at least one hour face to face or by telephone – free of charge – to educate seniors about the complexities involved in a reverse mortgage.

"One of the things I do with each client I meet is discuss in detail the pros and cons of a reverse mortgage: The costs, interest rates, as well as other options or alternatives to a reverse mortgage," Baptiste explained. "If a client comes in to me and says they are considering a reverse mortgage solely for a new roof and nothing more, I would probably refer the client to the city or county loan rehabilitation program, so that the client could consider a low interest loan for home repair. Sometimes these organizations even give grants for these purposes."

The appeal of a reverse mortgage includes the lack of a monthly payment, the fact that the homeowner retains title, and that they can continue to reside in the home – even in most cases after depleting the home's equity. But reverse mortgages can be a costly option.

Fees for a \$362,790 federally-insured reverse mortgage in the Bay Area could total nearly \$17,000 – and there is a limit on the dollar amount you can tap into based upon your age. Seniors who plan to move from their residence within the next five years are generally advised against taking out a reverse mortgage.

"Typical fees for the Home Equity Conversion Mortgage include a Mortgage Insurance Premium, which is equal to two percent of your home's value (or two percent of your county's 203-b limit), charged upfront at closing, and 0.5 percent is added to the interest rate charged on your rising loan balance," Baptiste said. "The origination fee, which pays a lender for preparing your paperwork and processing your loan, is two percent of your home's value or two percent of your county's 203-b limit, whichever is less, and third-party closing costs can range from \$2,000 to \$3,000 dollars."

Additionally, there are instances where the manner in which loan payments are set up can disqualify you from eligibility for Medicaid or Supplemental Security Income (SSI). "The reverse mortgage can be combined with MediCal benefits, in most cases, so long as certain guidelines are followed. The reason being is that a reverse mortgage is considered a loan that must be repaid in the future. The reverse mortgage is not income. However, there are cautions to keep in mind," Baptiste added.

An article offered on the AARP website, "Home Made Money, A Consumer's Guide to Reverse Mortgages,"

(http://www.aarp.org/learn/tech/personal_finance/a2003-05-12-homemademoney.html) warns seniors that "loan proceeds remaining in a checking or savings account at the end of a calendar month are counted as liquid assets by SSI and similar programs" and can jeopardize your eligibility.

Baptiste says seniors should ask lenders four key questions: How would the reverse mortgage loan affect my heirs or children? What is the total cost of the loan? How much interest is charged and at what rate? Which reverse mortgage products are offered by the company?

The bottom line, says Baptiste, is that seniors need to look at all available options before making any decisions. "As a counselor I can't make any choices for them," she said. "I show them what is available, and give neutral information."

For questions, you can contact Cherisse Baptiste at ECHO Housing: 1-800-961-6769.

LAFAYETTE PAINTING

A Color Coordinated Exterior Paint
Job By us will make your home
Appraisal at least \$20,000 Higher!
B.A. Neilson, April 2003



All Work Supervised

By Owner/Contractor

- Re-painting Specialist
- Color Coordinating
- Remodeling
- Restorations
- Waterproofing
- Redwood Deck Renewal
- Acoustic Ceiling Removal

Fully Insured State Contractors Lic. #342005

A Local Contractor Living &
Working In The Lamorinda
Area For Over 20 Years

FREE Estimates

283-8621

\$250 OFF
Complete Interior
or Exterior

exp. 9-30-07



MVCRemodeling.com



MICHAEL VERBRUGGE
CONSTRUCTION INC.

"RESIDING AND SERVING LAMORINDA"

RESIDENTIAL REMODELING

- ✓ Baths
- ✓ Kitchens
- ✓ Room Additions
- ✓ Finish Carpentry
- ✓ Repairs - dry rot, water and fire damage





925.631.1055

Lic# 681593

JV LUCAS PAVING



Look for our Red Trucks and ask for "Jim."

CA # 195560

Quality • Integrity • Expert Workmanship
Third Generation Paving Company

- Driveways
- Private Roads
- Tennis & Sports Courts
- Parking Lots
- Subdivisions
- Seal Coating

All roads lead to JV Lucas Paving! 925.283.8027

GET CLEAN.

TOTAL CLEAN
HOUSE CLEANING SERVICE
925.376.1004

UPHOLSTERY SPECIALIST
REFINISHING AND RESTORATION

- Slipcovers • Pillows • Window Cushions
- Custom Upholstery • Design Consulting

Marine - Commercial - Residential

Pickup & Delivery Available • Free Estimates By Phone



M.R.S.
Fine Old World Craftmanship

Family Owned And Operated For Over 55 yrs.

3418 Mt. Diablo Blvd., Lafayette

Mon.-Fri. 10-6, Sat. 10-2
(925) 962-0579

"I JUST WANT MY REALTOR TO TAKE CARE OF IT!"



YOUR Lafayette Prudential California REALTOR® Does!

Selling your home for more money and less inconvenience to you

We handle it all!








999 Oak Road
Lafayette, CA 94549
925-283-7000

We use the best:

- Handymen, Inspectors, Painters and Roofing Contractors
- Professional Home Stagers, Traditional and Feng-Shui
- Housekeeping Services
- Moving Services
- Mortgage Brokers & Title Companies
- Full Service Strategic Marketing Plan tailored to sell your home quickly for the best price and terms!

And much more!

<p>118 RAVENHILL RD ORINDA</p>  <p>Offered at \$858,000</p> <p>Looking to downsize, or just easy living, this lovely Orindawoods townhouse is perfect. Steps from pool, updated kitchen, light and bright atrium, patio off the kitchen, two decks, sauna and much more.</p> <p>Call: (925) 283-7000</p>	<p>1480 SHULGIN ROAD LAFAYETTE</p>  <p>Offered at \$2,750,000</p> <p>Over 3 ACRES among lush, majestic oak trees and Monterey pines on a private road. Panoramic views of Mt. Diablo. A Spanish "hacienda" with two custom, view homes. Horse property potential and more.</p> <p>Call: (925) 283-7000</p>	<p>301 MONTE ALBERS DRIVE DANVILLE</p>  <p>Offered at \$1,299,900</p> <p>This elegantly crafted home of 3,821 square feet offers a spacious floor plan with 5 bedrooms and 5 full baths built in 2004. Two family rooms, 3-car gar, Master retreat with stunning master bath. See v-tour at www.purealty.com/jamescollins</p> <p>Call: (925) 283-7000</p>
<p>617 HOVE CT WALNUT CREEK</p>  <p>Offered at \$1,148,000</p> <p>Spectacular 3,000sf, Plambach home on gorgeous court! Remodeled kitchen with granite and stainless, wine refrigerator and built in espresso maker. Fabulous landscaping front & back. Pool & Spa with gas and solar heat. New carpet, fresh paint.</p> <p>Call: (925) 283-7000</p>	<p>951 AUTUMN OAK CIRCLE CONCORD</p>  <p>Offered at \$1,035,000</p> <p>Fabulous Crystyl Ranch - Lowest priced Baccarat model on the market! Fabulous kitchen with cherry wood cabinets and granite counters. New carpet, fresh paint, sparkling pool and spa plus great hillside views!</p> <p>Call: (925) 283-7000</p>	<p>1701 E. 38TH STREET OAKLAND (GLENVIEW DISTRICT)</p>  <p>Offered at \$739,000</p> <p>\$100K PRICE REDUCTION. Mediterranean style craftsman home in the desirable Glenview District. Over 2,500sf, 3bd, 3ba, gorgeous hardwood floors, plus huge downstairs living area, 2car tandem garage.</p> <p>Call: (925) 283-7000</p>