

Using Reverse Mortgages for Health Care:

A NRMLA Guide for Consumers



THE NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION

NRMLA is a nonprofit trade association, based in Washington, DC, whose mission is to support the continued evolution of reverse mortgages as an important financial option for senior homeowners while educating both its members and consumers about the varied applications of this unique loan. Members sign a Code of Conduct pledging to abide by guidelines that assure fair, ethical, and respectful practices in offering and making reverse mortgages to seniors. For more information on reverse mortgages or a list of lenders, visit the NRMLA Web site at www.reversemortgage.org

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Introduction

Paying for health care has become an important issue for older Americans and their adult children. As medical costs continue to rise for prescription drugs, in-home care, and physical rehabilitation, seniors are having to shoulder a larger share of the financial burden or turn to their children for help.

In addition, while Medicare, Medicaid, HMOs, and private insurance pay for doctor's visits, hospitalization, and home care, these plans frequently require co-payments and deductibles. Often, these plans limit prescription drug coverage and may not cover related expenses that can help a senior cope with frailty, illness, or disability, such as home modifications, transportation, or other comfort-oriented services.

Fortunately, there's a new way to pay for these and other solutions to seniors' health care needs. It's a reverse mortgage, a unique loan that allows seniors to convert equity in their homes into available cash. This guide, developed by the nonprofit National Reverse Mortgage Lenders Association, explains how you can use a reverse mortgage to help pay for your health care needs and preserve your financial security.





Different Needs – *One Solution*

Everyone's needs are unique – but a desire to enjoy a full life is universal. Often, this means having enough money to cover the bills and relieve some of the anxiety that comes from figuring out how to pay for medical and health-related expenses.

As many seniors have already discovered, a reverse mortgage can be an excellent financial tool for generating the needed extra income to cover these costs.

A reverse mortgage allows you – the senior homeowner – to access the equity you've built up in your home and use the money however you wish. It's called a reverse mortgage because the flow of payments is reversed compared to a traditional home mortgage. The lender makes payments to you, or arranges a line of credit that's available for your use. This differs

from a traditional mortgage used to purchase or refinance a home, in which you must make monthly mortgage payments to a bank. With a reverse mortgage, you retain title to your home and can't be forced to leave. The loan is repaid when you permanently leave your home.

The versatility of reverse mortgages has already been demonstrated by the thousands of seniors who have used this tool to alleviate money worries or to simply make their retirement more comfortable. As the following profiles of actual borrowers illustrate, seniors have used reverse mortgages to cover a variety of medical and health care expenses.



Dorothy Rogers Paid for Her Prescription Medication

For 45 years, Dorothy Rogers, 82, has lived in the same single-story home in Hampton, NH that she and her husband, John, and son, Thomas, built together. Tragically, in August 1976, Mr. Rogers suddenly passed away just 20 days before retiring.

“I lost John, his insurance, and most of his pension. I received a little of his pension but it lasted only about one year,” Mrs. Rogers says.

To make ends meet, Mrs. Rogers relied on her Social Security. Initially, the monthly Social Security check she received was enough to survive. But over time, as inflation increased, the \$743 she received was barely enough to cover her daily living expenses.

“I had a horrendous time paying for things,” she says. “Every time I went to the grocery store, I’d have to choose between prescription drugs or food. In the end, what I was getting from Social Security was going almost entirely to medicine.”

Those awful days of choosing ended on November 20, 2000, when Mrs. Rogers obtained a \$77,000 FHA Home Equity Conversion Mortgage. She now receives \$634 a month in extra income – an increase of 85 percent over her previous income – for life! As Mrs. Rogers puts it, her life has completely changed for the better. She has no problem paying for prescription drugs, food, or bills.

“I thank God every day that I got a reverse mortgage,” she says. “I can go see a movie with the girls now, or get a sandwich. The first thing I did after getting the loan was go to the store and buy a steak.”



MEDICARE, MEDICAID,
HMOS, AND PRIVATE
INSURANCE ARE CENTRAL
TO MANY SENIORS'
HEALTH CARE STRATEGIES,
BUT THESE PLANS HAVE
THEIR LIMITATIONS.
IN 1999, MEDICARE
RECIPIENTS SPENT 19%
OF THEIR OWN MONEY –
AN AVERAGE OF \$2,430
– FOR HEALTH
RELATED EXPENSES.

Source: AARP



William Ellis Added a Downstairs Bedroom to Make His Wife More Comfortable

William Ellis of Vancouver, WA has a different story. In May 1988, his wife, Beulah Maria, suffered a debilitating stroke that left her wheelchair-bound.

“Her mind was still sharp but she was left partially paralyzed on her right side and had problems with her speech,” says Mr. Ellis, 77. “I certainly didn’t want to see her put into a nursing home, I wanted her here with me.”

The solution was to convert the garage of their home into a ground-floor bedroom to accommodate his wife’s needs. “The existing rooms and hallways were not wide enough to accommodate a wheel chair, so we had to do something,” Mr. Ellis notes.

ACCORDING TO AN
APRIL 2000 REPORT FROM
AARP, 33% OF ALL SENIORS
LACK PRESCRIPTION
DRUG COVERAGE.

The renovations cost \$42,000. To pay for the work, Mr. Ellis obtained a \$55,000 FHA Home Equity Conversion Mortgage with a line of credit. The reverse mortgage paid for the additional room plus other changes, including a handi-capped-accessible shower.

“I got enough money to cover the costs to make these changes, plus some left over to cover everyday expenses,” explains Mr. Ellis. “The reverse mortgage really helped us out.”

Katrine Denese Receives 24-Hour In-Home Care, Thanks to Her Daughter



Katrine Denese, 80, of Jacksonville, FL, suffers from paranoid schizophrenia and Parkinson’s Disease. But the last thing her four children wanted was to have her placed in a nursing home.

“My mother’s home is her security – she

loves it there,” says daughter Janet Hayes.

Though still able to function independently at times, Ms. Denese, nonetheless, requires round-the-clock care because of dementia. Using money from her mother’s pension and Social



AN ESTIMATED
8.2 MILLION INDIVIDUALS
RECEIVED SOME SORT OF
HOME CARE IN 1999.

Source: National Association
of Home Care

Security, Ms. Hayes hired private caregivers to assist her mother.

“They help with everything – cooking, bathing, cleaning – you name it,” she says.

But last year, it became clear that Ms. Denese’s pension and Social Security would no longer be sufficient to cover the caregivers’ fees.

Ms. Hayes thought about mortgaging her home to pay for a nurse but, in the end, chose a reverse mortgage. “I could have gotten a lot more money using a home equity loan but the interest rate was higher and there’s a monthly payment to make,” she adds.

With power of attorney for her mother, Ms. Hayes arranged a \$33,000 FHA Home Equity Conversion Mortgage with a line of credit.

“What sold me on the reverse mortgage was that even if my mother exhausts all the money, she still can stay in her home for as long as she needs to,” adds Ms. Hayes.

Hayes recommends the reverse mortgage to any adult child who has to care for a parent but doesn’t have the financial ability to do so.

“It has been a life saver for my mother.”

Versatility to Meet Your Needs

As illustrated by these profiles of real borrowers, the versatility of reverse mortgages can provide you with a range of financial options that enable you to choose the kind of health or personal care you desire, in the setting you prefer. Because the funds from a reverse mortgage can be taken by the borrower as a lump sum, monthly payments, line of credit, or a combination of these, you have tremendous flexibility when planning how to address your health care needs.

For example, you might choose to receive monthly payments to budget for often-overlooked needs such as a cleaning service, grocery delivery, or transportation. Or, you might select a line of credit because that's the best strategy for you to pay your annual Medicare or private insurance deductibles or HMO co-payments on doctor visits and prescription drugs. No matter what your needs are, a reverse mortgage gives you more choices and a better way to plan your own care with confidence.

To learn more about strategies for using a reverse mortgage to help you pay for your health care needs, we recommend that you contact a reverse mortgage lender. The names of lenders in your state may be found by visiting the "Lenders List" on NRMLA's Web site, at <http://www.reversemortgage.org>, or by calling NRMLA toll-free at 1-866-264-4466.



What Else You Should Know

A reverse mortgage doesn't affect your regular Social Security or Medicare benefits. However, depending on your particular situation, it may affect the benefits you receive, if any, from the federal Supplemental Security Income (SSI) program or from state-run programs such as Medicaid. Because of this, we suggest that you consult with your local Area Agency on Aging, a reverse mortgage lender, or a benefits expert to get more information.

To learn more about reverse mortgages, call the National Reverse Mortgage Lenders Association at 1-866-264-4466 (toll-free) for a copy of its free booklet, *Just the FAQs: Answers to Common Questions About Reverse Mortgages*.

Other Information Resources

AARP

(general seniors issues)

1-800-424-3410

<http://www.aarp.org/revmort>

Long-Term Care Insurance

National Advisory Council

(long-term care insurance)

<http://www.longtermcareinsurance.org>

American Health Care Association

(health care, long-term care)

202-842-4444

<http://www.ahca.org>

National Association for Home Care

(in-home care)

202-547-7424

<http://www.nahc.org>

Center for Universal Design

(home modifications)

1-800-647-6777

<http://www.design.ncsu.edu/cud>

Visiting Nurses Association of America

(health care issues)

617-523-4042

<http://www.vnaa.org>



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