D4. Reverse Mortgages

A reverse mortgage is a federal government-backed program that allows homeowners age 62+ to tap into the equity in their home.

A reverse mortgage converts home equity into cash in several different ways (e.g., monthly payments to the homeowner, equity line, and one-time payout). The loan is repaid when the owner dies, sells his/her home, or when the home is no longer a primary residence. The proceeds of a reverse mortgage generally are tax-free, and many reverse mortgages have no income restrictions.

Key Issues:

- Fees are quite high on reverse mortgages relative to other lending products and risks to borrowers are unique; therefore, homeowners must be strategic in order to benefit from a reverse mortgage without undue risk.
- By definition, reverse mortgages erode the equity in one's home and they are not appropriate for all older households.
- Despite the risks, for some older seniors, tapping the equity in one's home may provide the only opportunity to age in place and pay for costly medical bills while living on a fixed income.

Background:

- Financial counseling is required to obtain a reverse mortgage; Boulder County Housing Counseling offers reverse mortgage counseling.
- The reverse mortgage has been available since 1989.
- In Boulder, it is estimated that 2,956 age 62+ homeowners (58% of age 62+ homeowners) own their homes outright.
- An estimated 1,154 age 62+ homeowners earn less than $30k annually.

Implementation Options:

1. Explore creating a city marketing effort to promote the use of reverse mortgages.
2. Explore creating a city-sponsored lease/purchase program.

Goals Addressed Through this Tool:

Strengthen Our Commitments

Maintain the Middle

Create Diverse Housing Choices in Every Neighborhood

Create 15-Minute Neighborhoods

Strengthen Partnerships

✓ ***Enable Aging in Place***

Source: New York Times*, "Rules for Reverse Mortgages May Become More Restrictive", July 12,2013*. Illustration: Robert Neubecker