



Improving the lives of older Americans

Initial Results from the NRMLA/NCOA Taxes & Insurance Default Mitigation Pilot

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Session Overview

- Overview of Pilot Project- Elizabeth Rose, NCOA
- Servicer Roles - Ryan LaRose, Celink
- Borrower Case Study - Karla Lagunas, Insight Center for Community Development
- Interactive Discussion - Peter Bell, NRMLA
- Summary of Initial Findings - Elizabeth Rose, NCOA

Overview of Pilot Project

Elizabeth Rose
NCOA

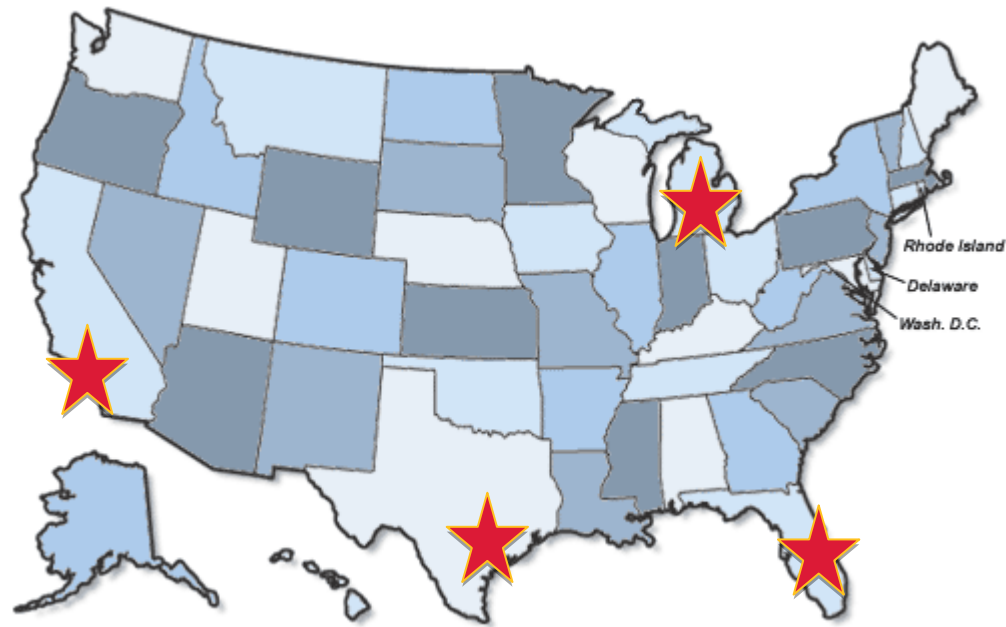
Project Funding

- The Pilot Project is a partnership with NRMLA and NCOA.
- Funding for the Pilot provided by:
 - Bank of America
 - Celink
 - Generation Mortgage
 - Genworth Financial
 - MetLife
 - Urban Financial and
 - Wells Fargo Home Mortgage
- Initially a 3 month project (October to December 2010) that was extended to May 2011.

Purpose and Goals of the Pilot Project

- Identify ways for servicers and community agencies to work together effectively.
- Provide hands-on assistance by care coordinators to help RM borrowers who are at high risk for foreclosure.
- Determine the amount of time and effort needed to cure delinquency.
- Develop best practices and share information with the reverse mortgage industry.
- Inform HUD policy on how to best assist reverse mortgage borrowers in default.

Partner Sites



Alliance for Aging - Miami, FL

Care for Elders - Houston, TX

Elder Law of Michigan - Lansing/Detroit, MI

Insight Center for Community Economic Development - Los Angeles, Ca

Case Management Procedure Overview

- **Servicers**
 - Identify appropriate clients.
 - Initiate soft transfer phone calls with clients to connect them to case managers.

- **Case Managers**
 - Meet face-to-face with clients for in intake session to complete a full review of the borrower's situation.
 - Develop an Action Plan to cure the delinquency.
 - Assist clients transition out of their homes, if needed.

- **Timeframe**
 - Oct - Dec - Pilot setup, conducted research, identified partners.
 - Jan - early March - Identify and begin work with clients.
 - Feb - April - Identify solutions, cure delinquencies.

Characteristics of Pilot Participants

- 26 Borrowers Receiving Help Through the Pilot
 - Ages range from 64 - 95.
 - Most single, several couples.
- Income
 - Ranges from \$850 - \$2,091/month
 - Average income about \$1,330/month per person.
- Loan Attributes
 - Highest amount owed is over \$15,000.
 - Majority are lump sum borrowers.
 - Several HECM for purchase cases.

Successes So Far

▪ Status of Pilot Clients

- 5 clients have cured their delinquency with case management.
- 9 are facing transition out of their homes.
- 12 are in the case management process.

▪ Identified “Out-of-the-Box” Solutions

- Many tax exemptions, for example for medical reasons.
- Had valuables in home appraised to use to repay delinquency.
- Referral to legal aid for a case where couple decided to divorce.

▪ Informed HUD Counseling Guidelines

- Counselors should transfer clients to local Area Agencies on Aging
- Counselors required to use BenefitsCheckup.
- Counselors must focus on the ability of borrowers to pay taxes & insurance going forward.

Challenges to Curing RM Defaults

▪ Servicer Challenges

- Difficulty reaching clients to enroll them in Pilot.
 - ♦ Disconnected numbers.
 - ♦ Client reluctance to respond to servicers

▪ Counselors Challenges

- Clients lack documentation of their financial situation so case managers may not fully understand their problems.
- Benefits programs used for assistance often no longer available.
- It takes several sessions to build enough trust for borrowers to reveal their entire family/financial situations.

▪ Unresolved Issues with HUD Policy

- For example, lack of clarification of what *“provide a thirty (30) day period in which the mortgagor must respond and arrange to cure the delinquency”* means.

Servicer Roles

Ryan LaRose
Celink

Borrower Case Study

Karla Lagunas

Insight Center for Community Economic
Development

Mrs. Greene Case Study

▪ Client Background

- 95 years old.
- Has severe cognitive impairment.
- Wants to remain in her home.

▪ Family Situation

- Case manager dealing primarily with client's son.
- Son provides 24-hour-a-day care.
- He quit his job to care for her, eliminating financial support.
- Son managing bills and was unaware T&I needed to be paid, since he was not familiar with RM product.
- Wants to repay delinquent charges.
- Son will be homeless if foreclosure takes place.

How Client Used RM Funds

- Dealt With Immediate Financial Problems
 - Took out the reverse mortgage to pay of 1st and 2nd mortgages.
 - Repaid \$8,000 in credit card debt from deceased husband.
 - Spent \$15,000 on home repairs.

- Enhanced Quality of Life
 - Gave \$10,000 to her aunt for rent/family support.
 - Used \$2,000 on a shopping spree.

- Spent Funds Quickly!

Financial Context for Solving the Default

■ Client Income

- Income \$1,300 /month, including public benefits (SSI).
- Monthly shortfall of \$464.
- Telephone and gas were recently cut off.

■ Default Situation

- Has been in default for 2 and a half years.
- Back taxes & insurance total \$11,500.
- 24 month repayment plan = \$480/month (37% of income).
- Estimated payments for future taxes & insurance = \$480/month.

■ Is a Solution Possible?

- Shortfall + repayment + future T&I = $\$464 + \$480 + \$480 = \$1,424$
- To solve the problem, she needs additional \$1,424 per month.

Results of Case Management

- Solutions to Help Cure Default Are Limited
 - If she loses her home, she has a bed secured in hospice.
 - Son may be compensated for caregiver hours ~\$250/month.
 - Utility assistance and telephone programs ~\$100/month.
 - Also received: hospital bed at home; in-home care; soon meal program and wheelchair - but these do not help financially.
- Challenge - Default Not Cured
 - She will likely have to transition out of the home.
 - Son does not hold POA so he cannot enroll mother in programs.
 - If son gets a job, his income may be too low for a 24 month plan.
- How Long This Case May Continue
 - Case management - 2 months.
 - Accessing most benefits - under 3 months.
 - Full repayment - likely more than 24 months.

Lessons Learned From This Case

- Many of These Difficult Cases Will Result in the Borrower Transitioning out of Their Home
 - Requires counselor sensitivity, care, compassion.
 - Transitions take extend periods of time.
- Family Needs to Be Aware of RM Borrower Obligations
 - In Mrs. Green's case, when she lost capacity to do her own bills, son's lack of reverse mortgage knowledge caused default.
 - In many of her cases, the adult children step up to help pay if they are made aware of the options.
- In hindsight, everyone says they would have spent the money more wisely. In reality, they would do the same thing again.

Interactive Discussion

Peter Bell
NRMLA

Summary of Initial Findings

Elizabeth Rose
NCOA

Underlying Problems are Complex

- We are Dealing with More Than Taxes & Insurance
 - Working with emotional people and complex family issues.
 - Addressing credit card/other debts/financial planning issues.
 - Working with people with impairments/disabilities.
 - Clients that refuse to leave their home.

- Timeframe for Complicated Cases
 - Case management: 20 - 30 hours.
 - Case management timeline: 4 - 8 weeks.
 - Benefits enrollment:
 - ◆ 2 weeks to 2 months - Case Management/Financial Counseling, Food Bank, Utilities, Food Stamps.
 - ◆ 6 - 12 months - Subsidized Housing, State Health Programs.
 - ◆ 1 - 3 years - SSDI, Dental, Home Repairs, Section 8 Housing.

Role of Public Programs

- Public Programs Can Make a Big Difference but They Can be Hard to Access
 - Public benefits enrollment takes time and requires clients to fill out many forms and bring documents.
 - Most people do not know about resources in their community resources and how to access them.
 - Moving to another living situation often requires additional resources to help with that process.

- Case Managers Are Critical for Success
 - Agencies need an extensive background in case management/benefits enrollment.
 - Counselors need experience working one-on-one with clients with difficult cases and clients that may have to leave their homes unwillingly.

Elizabeth Rose, MPPM

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NRMLA Reverse Mortgage Tax & Insurance Mitigation Pilot

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