

Use Your Home to Stay at Home™

Guide for Reverse Mortgage Lenders



THE NATIONAL
COUNCIL ON
THE AGING

The National Council on the Aging (NCOA) is committed to helping older persons to maximize all resources, public and private, so that they can be as independent as possible in the residence of their choice. This booklet is one of several educational pieces developed as part of NCOA's Use Your Home to Stay at Home Initiative, a public-private partnership designed to assess and encourage appropriate use of home equity to help older people who may need assistance to remain at home.

For many seniors, their homes are their biggest financial asset. By unlocking their home equity, many more people may be able to afford services and supports they need. Greater use of reverse mortgages can also strengthen community long-term care programs by providing additional resources for financing the housing and service needs of impaired, older homeowners. The booklets in this series are funded by a grant from the National Reverse Mortgage Lenders Association.

—James Firman, CEO

Founded in 1950, The National Council on the Aging is a national network of organizations and individuals dedicated to improving the health and independence of older persons; and increasing their continuing contributions to communities, societies, and future generations. For more information on NCOA, visit www.ncoa.org

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Overview

Americans want to continue to live at home as they grow older, even if they need help with everyday tasks. With new medical and technological breakthroughs, this goal of “aging in place” is becoming a reality for growing numbers of seniors. Many physically or mentally impaired older homeowners, however, are unprepared for the financial challenges that can come with a chronic health condition.

In our aging society, reverse mortgages can play an important role in funding supportive services such as home health care, adult day centers, homemakers, and home modifications that make aging in place possible. NCOA estimates that over 13 million older households could be candidates to use these loans to pay for help at home. The consumer booklets *Use Your Home to Stay at Home: A Guide for Homeowners Who Need Help Now* and *Use Your Home to Stay at Home: A Planning Guide for Older Consumers*, highlight the benefits of using a reverse mortgage to pay for supportive services. These booklets are designed to dispel myths and address the special concerns of older homeowners with a chronic health condition.

The purpose of this Guide is to help you answer the questions that seniors, their families, and professionals may have after reading the consumer booklets. It provides additional background on key concepts and a glossary of basic terms. Financing supportive services for seniors with a chronic health condition is a complex topic, so there are sources where you can go for more information.

The Guide also highlights new opportunities to expand the role of reverse mortgages by making it easier for you to:

- Identify unmet needs in our current system for financing supportive services at home.
- Understand the appropriateness of reverse mortgages for older homeowners who have a chronic health condition.

- Work with service providers to reach seniors who could benefit from a reverse mortgage.
- Help older homeowners use a reverse mortgage to plan ahead for aging in place.

Professionals who work with older people and family caregivers can be important allies for reverse mortgage lenders. Linking with financial advisors and service providers, however, can be a challenge. For many, the idea of aging in place is a new concept.

Service providers often associate this concept with housing issues, rather than with the long-term care system within which they work. To help bridge this gap, the Guide includes a basic overview of our nation's system for financing and delivering long-term care services to older Americans. There is also a PowerPoint presentation to help you educate consumers and professionals about using reverse mortgages for aging in place.

It can be hard for impaired older Americans to stay in the home they love. This is true not only for “house rich and cash poor” seniors, but also for middle income families who often struggle to pay the extra cost of help at home. If

used appropriately, reverse mortgages can offer a new financing option to meet the full range of needs of impaired older Americans who want to live at home with dignity and independence.



Financial Need

Government Financing for Supportive Services

Older homeowners with chronic health conditions will present new challenges for lenders. Unlike traditional “house rich and cash poor” borrowers, public programs may be the best option for impaired homeowners with few financial resources. For others, a reverse mortgage can help to fill gaps in public and private funding for supportive services.

Key Facts

- Of the \$135 billion spend on long-term care for older Americans in 2004, 60% was paid by government and 33% was paid out-of-pocket by consumers. *Congressional Budget Office 2004*
- Medicaid is the single largest public source of funding for long-term care for impaired elders (\$47 billion in 2004). *Congressional Budget Office 2004*
- Only one-third of the public funds spent on long-term care for seniors pays for help at home. Most government expenditures pay for nursing home care. *Congressional Budget Office 2004*

Public Assistance for Seniors with Chronic Health Conditions

Public programs that offer supportive services to impaired seniors are administered principally in the U.S. Department of Health and Human Services (Figure 1). Some of these programs mainly serve older people (Medicare, Older Americans Act) while others assist low-income people including the elderly (Medicaid, Social Services Block Grant). Each program has its own eligibility requirements, covered services, and sources of funding.

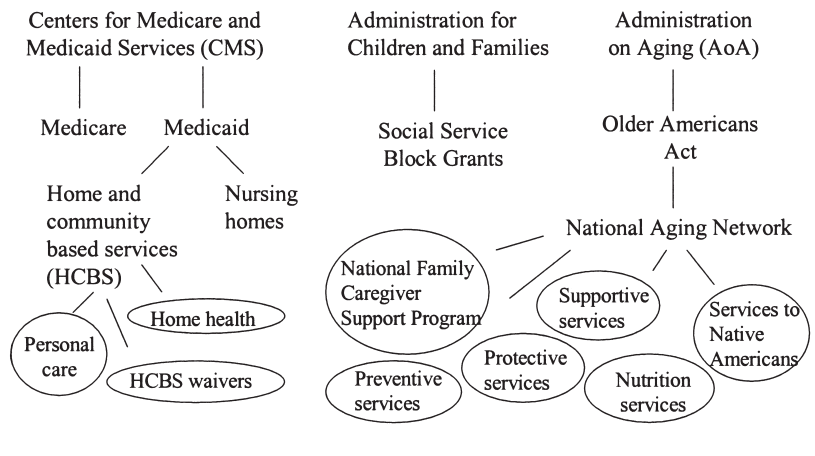
Medicaid

Medicaid is a joint Federal/State program that funds health and long-term care for certain groups of people, including seniors who are poor or who use up their savings to pay for care. States develop their own rules related to eligibility and coverage within boundaries set by federal law. There are large variations in Medicaid programs among the states. States may have their own names for the program, such as “MediCal” in California and “MassHealth” in Massachusetts. A person who is eligible for Medicaid in one state may not qualify in another state.

Under Medicaid, nursing home care and medically-related home health services are mandatory benefits. States may also choose to cover Personal Care Services for people who need help with everyday tasks. Optional Home and Community Services (HCBS) Waiver programs allow states to offer a wide array of non-medical services at home to seniors who would otherwise need nursing home care.

FIGURE 1

Public Financing for Supportive Services, Department of Health and Human Services



The federal government pays about half of Medicaid expenditures nationally, and state programs pay the rest. Due to budget shortfalls, all states have taken steps to reduce Medicaid spending. Congress is considering additional cuts to Medicaid funding over the next decade.

Older Americans Act (OAA)

The Administration on Aging (AoA) works with states and local regions to provide home and community-based services to older persons and their caregivers through programs funded under the Older Americans Act. All Americans age 60 and older are eligible for services under the OAA. Priority is given to those who are in greatest economic and social need.

The OAA authorizes grants to states and Area Agencies on Aging for planning, services programs, and for research and training projects. In FY 2003, OAA funding for these grants was \$1.3 billion. Although the senior population is growing, the budget for OAA programs is not. Most OAA programs have seen flat funding or modest cuts in recent years.

Social Services Block Grant (SSBG)

SSBG grants enable states to offer additional services to low-income and vulnerable older adults, persons with disabilities, children and families. Services can include home care, prevention of abuse and neglect, meals, adult day care, case management, legal services, and transportation. Repeated cuts to the program in the last several years has significantly reduced SSBG funding.

State Programs

Most states use their own funds to provide assistance to people who are not eligible for Medicaid, and for services that are not covered by Medicaid. These funds can come from general revenue, tobacco taxes, casino revenues, and dedicated income taxes.

Role of Reverse Mortgages

Public programs provide a valuable safety net for impaired seniors with low incomes, and those who need high levels of care. But

government funds are limited, and will not meet all the needs of our aging society. Reverse mortgages can benefit older homeowners with a chronic condition by:

- **Helping to fill gaps in public funding**—Many impaired older homeowners face the daunting task of cobbling together funding from disconnected public programs for aging in place.
- **Expanding funding options for moderate-income families**—Public programs typically target seniors who have limited financial resources or who impoverish themselves paying for care.
- **Providing rapid access to funds**—Publicly subsidized services are often overburdened. Many programs have waiting lists because the available funds cannot meet demand.

Lenders can play a key role to help ensure that impaired, older homeowners have the resources they need to make aging in place possible.

ADDITIONAL INFORMATION

Financing Long-Term Care for the Elderly. Congressional Budget Office, 2004. www.cbo.gov/showdoc.cfm?index=5400&sequence=0/

Medicaid in 2005. National Governors Association.
www.nga.org/cda/files/0502MEDICAID.pdf

Understanding Medicaid Home and Community Services. Department of Health and Human Services, 2000.
<http://aspe.hhs.gov/daltcp/reports/primer.pdf>

Living At Home with a Chronic Condition

Characteristics of Seniors Who Need Help to Age in Place

Seniors with a chronic health condition have unique needs when deciding to take out a reverse mortgage. In determining the appropriateness of this loan, it is important to consider whether an impaired elder will be able to stay at home and for how long. A person's level of impairment will also affect how long the loan funds will last to pay for essential services that can keep them at home. For a severely impaired elder, selling the house and moving to a place that offers more support may be the best option.

Key Facts

- By the year 2030, 20% of all U.S. residents will be over age 65. At that time, 32 states will have populations that look like Florida today. *U.S. Bureau of the Census 1996*
- 13% of households where the youngest owner is age 62 and older (2.5 million) need help with ADLs or IADLs. 16% have difficulty with these activities, but can still do them on their own. *National Council on the Aging 2005*
- More than two-thirds of all older people who need help with everyday tasks live at home, including more than 70% of those with Alzheimer's disease. *U.S. Dept. Health and Human Services 2003, Alzheimer's Association 2005*

Level of Impairment

A chronic health condition can limit a person's ability to age in place. Impairments can range from everyday aches and pains due to arthritis, to serious and progressive health problems such as diabetes or Alzheimer's disease (Figure 2). Medication interactions and side effects, along with sudden events such as a fall or a stroke, can also lead to loss of function and mobility.

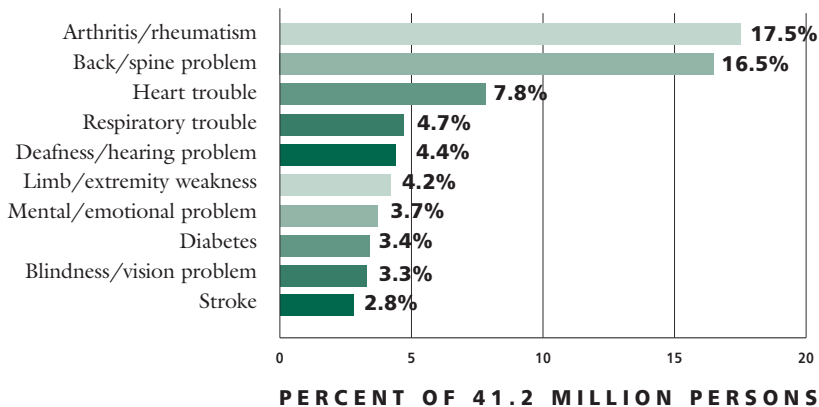
People who need help at home are more likely to be older than the typical borrower today, since the risk of having a physical or mental limitation increases with age. Other factors that could impact the potential need for and appropriateness of a reverse mortgage include:

Active life expectancy

Americans are living longer, but not all those extra years will be spent in good health. The life expectancy of a 70 year old with

FIGURE 2

Leading Causes of Disability Among U.S. Adults, 1999



Source: Prevalence of Disabilities and Associated Health Conditions Among Adults—United States, 1999. *Centers for Disease Control and Prevention 2001.*

no functional impairment is about 14 years. Healthy elders can expect to be active (with no impairments) for almost 9 of those remaining years. People age 70 who are in poor health can expect to live another 10 years, but only 2 of those years will likely be without some impairment that could make it hard to continue to live at home.

Changes in physical ability

ADLs (Activities of Daily Living) and IADLs (Instrumental ADLs) are important measures of functionality. They reflect a person's ability to manage their environment and perform self-care.

- IADLs—Limitations with activities such as shopping, cleaning, cooking, using the telephone, and money management. These can often be accomplished with intermittent help. Difficulty with household activities is often a sign that the elder is becoming frail and will need more help in the future.
- ADLs—Limitations that require daily attention for aging in place. These include feeding oneself, bathing, dressing, transferring from a bed to chair, and using the bathroom safely.

The greater number of ADLs/IADLs, the more likely the person will need supportive services. Medicaid and private long-term care insurance typically use ADLs to define losses in ability that may qualify a person for benefits. People who are unable to perform two or more ADLs without help are regarded as having a severe impairment and usually qualify for benefits.

Changes in cognitive ability

About 10% of Americans over age 65, and up to half of those over age 85, have some form of dementia. Among elders with dementia, most have Alzheimer's disease. Many other health problems can also mimic dementia. People with Alzheimer's disease typically live for 8 years, and may live for up to 20 years, after the onset of symptoms. They may need supervision and cueing to make sure that everyday activities are done appropriately.

Role of Reverse Mortgages

Elders are often reluctant to talk about a health problem or get help because they fear they will be sent to the nursing home.

Reverse mortgages can promote aging in place by:

- **Funding early interventions**—Reverse mortgages can be used for any purpose, including preventive measures that can reduce the risk of premature institutionalization.
- **Enhancing cash flow management**—These loans give borrowers peace of mind by helping them cope with the uncertainty that can come with declining health and ability.
- **Promoting control and choice**—Additional cash from reverse mortgages helps borrowers with a chronic condition to live with independence and dignity.

Help with daily tasks, even for severely impaired elders, is typically not deemed medical care. Medicare and private health insurance (other than long-term care insurance) usually do not cover the cost of these services.

ADDITIONAL INFORMATION

Older Americans 2004: Key Indicators of Well-Being. Federal Interagency Forum on Aging-Related Statistics, 2004. www.agingstats.gov/chartbook2004/default.htm

A Portrait of the Chronically Ill in the United States, 2001. Robert Wood Johnson Foundation. www.markle.org/resources/facct/doclibFiles/documentFile_287.pdf

Can We Talk? Families Discuss Older Parents' Ability to Live Independently. AARP, 2001. http://assets.aarp.org/rjcenter/il/ind_liv.pdf

Reaching Older Homeowners in Need

Working with the Aging Network and Other Professionals

A wide array of professionals meet regularly with frail and impaired older homeowners, and their families. Many of these service providers do not know how a reverse mortgage could help their clients. By linking with the Aging Network and other professionals, lenders can create more financing options to fulfill the unmet needs of older homeowners.

Key Facts

- In 2002, over 7.5 million older Americans received supportive services through programs funded by the Older Americans Act. *Administration on Aging 2003*
- Each year, 10 million older adults receive services at more than 12,000 senior centers nation wide. *National Institute of Senior Centers 2003*
- More than 3,500 adult day centers provide services to 150,000 older Americans each day. *National Adult Day Services Association 2005*

Where Seniors Can Go For Help

Our nation's long-term care system is gradually shifting from the nursing home to providing paid help in the home and community. As a result, the amount and type of public assistance for impaired older homeowners will vary considerably by state and locality.

National Aging Network is the primary vehicle for organizing, coordinating, and providing community-based services funded by the OAA. Working with the AoA, this network consists of 56 State Units on Aging, 655 Area Agencies on Aging, and 243 Tribal and Native organizations. The Network includes over 29,000 service providers and 500,000 volunteers nationwide.

- **State Units on Aging (SUA)**—Each state has developed its own Unit, which can be called by different names, including bureaus, councils, departments, boards, commissions. SUAs also administer state-funded home and community based programs for older persons, and in some states, Medicaid HCBS Waiver programs for the elderly.
- **Area Agencies on Aging (AAA)**—AAAs are planning and service areas within each state. They reflect the geographical distribution of seniors and their need for services. AAAs plan, coordinate, and offer a wide array services that help older adults remain in their home (see Figure 1). They typically do not provide direct services, but rather contract with public or private groups. Some may provide a service if no contractor is available.

OAA allows cost sharing for some services, using a sliding fee scale based on income. Voluntary contributions for all services are allowed, but means testing and denial of service based on non-contribution are prohibited. About 28% of seniors who receive supportive services funded by the OAA have incomes at or below poverty level.

State programs

In 2003, there were 41 state funded single-service programs offered in 21 states and 51 multi-service programs in 37 states. These programs provide a wide array of services, including adult day care, respite services, meals, homemaker, personal care assistance, and care coordination or management to seniors. About half the programs charge co-payments that use a sliding-fee scale based on income. Although data are limited, it appears that most

clients are age 75 or older. Clients are likely to live alone and be unmarried.

Community services

- **Senior centers**—These centers are gathering places where older adults can enjoy social and physical activities, get information, and eat a hot meal. Participants are age 75 on average. They are likely to live alone, be a single woman, and have two chronic health conditions.
- **Adult day centers**—These programs meet the individual needs of functionally and/or cognitively impaired adults, and provide respite for caregivers. Participants are age 72 on average, and have a variety of chronic conditions including physical limitations (such as walking or eating) and dementia. Participants typically pay out-of-pocket for this program.

Information and counseling

In addition to advice from financial advisors and estate planners, older homeowners can learn about funding for supportive services from these public sources.

- **Senior Health Insurance Information Programs (SHIIP)**—All states have free counseling programs to answer consumer questions about Medicare, long-term care insurance, and other health insurance.
- **Aging and Disability Resource Centers** are being developed in 24 states to provide a single, coordinated system for consumer information and access to supportive services. AAA information specialists help link seniors to the services available in their community.

Care coordination and planning

Geriatric care managers (who can include social workers, counselors, nurses, and gerontologists) can assess a person's social, psychological, and physical situation and develop a plan of care. They may also review a client's financial, legal, or medical issues and offer referrals. Geriatric care managers can provide consumer education and advocacy.

Role of Reverse Mortgages

Creating a holistic approach to aging in place, that combines housing and supportive services, is a new challenge for the Aging Network. Reverse mortgages can help to accelerate this process by:

- **Expanding how we think about aging in place**—Greater use of home equity could open new way to finance both housing and service needs of impaired, older homeowners.
- **Helping to strengthen the safety net**—A reverse mortgage can be another option for seniors who cannot get the help they need through public programs.
- **Providing a new funding source for service providers**—These loans bring additional resources to providers who are struggling with limited government reimbursement for services and cut-backs in spending on public programs.

Strengthening the links between reverse mortgages lenders and service providers can build bridges and promote a more coordinated approach to paying for services that support aging in place.

ADDITIONAL INFORMATION

What We Do Makes a Difference. AoA, 2003.

www.aoa.gov/about/annual_report/ar_full.pdf

Use Your Home to Stay at Home: A Blueprint for Action. National Council on the Aging, 2005. www.ncoa.org/attachments/ReverseMortgageReport3.pdf

A Quiet Crisis in America. Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century, 2001. www.seniorscommission.gov/ages/final_report

Looking to the Future

Reverse Mortgages as a Planning Tool for Aging In Place

Reverse mortgages are often used to meet immediate needs. But these loans also give seniors new ways to plan for the greatest unprotected financial risk they will face in retirement—long-term care. This is crucial for homeowners who could not prepare for this need with private insurance or savings.

Key Facts

- Caregivers today are likely to spend more time caring for an aging parent than raising their children. *Age Power, Ken Dychtwald 1999*
- Only 10% of seniors own long-term care insurance. *America's Health Insurance Plans 2003*
- About four in ten seniors and adult children believe they (or their parents) will not need to use home equity to pay for help at home because “it just won't happen.” *National Council on the Aging 2005*

Asset Management

It can be hard to manage the family budget when a person is coping with a new, or more serious, physical or mental problem. Expenses for supportive services can build up rapidly. Families may be unsure how much help they can provide on their own.

For many seniors on fixed incomes, a reverse mortgage can be a critical resource to help avoid a financial crisis. This loan could pay for over three years of daily home care visits or eight

years of adult day care for a homeowner age 85 with a median priced home (Figure 3).

Even the best laid financial plans can be overwhelmed by a serious illness or accident. Reverse mortgages can fill gaps in existing public and private financing options for aging in place:

Long-term care insurance

To qualify for benefits, a policyholder must need help with 2 or more ADLs or a cognitive impairment. But only 7% of seniors require assistance with ADLs. Policyholders may need extra funds to pay for help before they are eligible for insurance benefits.

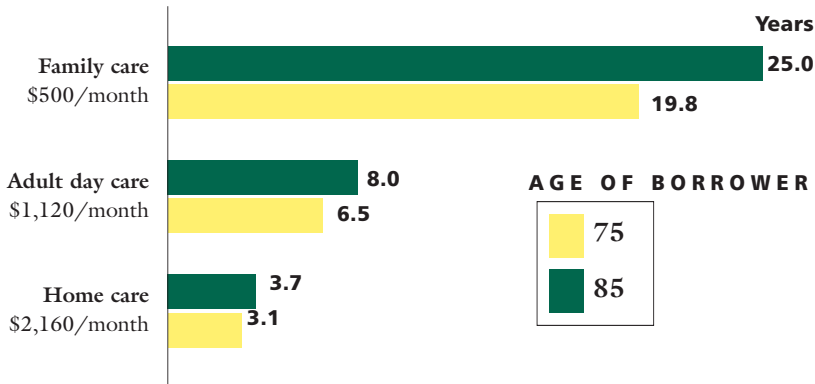
Family caregivers

Most families are unprepared for the amount of work and responsibility that can come caregiving. Without adequate sup-

FIGURE 3

Duration of funds to pay for home and community care from a HECM creditline

Likely duration of funds based on monthly withdrawals from a HECM creditline (years)*



*HECM estimate based on median home value in 2004 (\$122,790) and an annual creditline interest rate of 5.46%. Source: NCOA analysis using the AARP reverse mortgage calculator.

port, family caregivers may become overwhelmed or develop serious health problems of their own. Adult children often help pay the cost of care, which can disrupt their financial plans and the ability to save for their own retirement.

Medicaid

Rules for receiving benefits under Medicaid are complex and vary by state. Lenders need to know a few basic facts about how this program can affect planning for aging in place:

- Seniors who have too much income to qualify directly for Medicaid may still receive benefits under this program if they spend the excess income on medical bills and services. This process of voluntary impoverishment is called “spend down.”
- A Medicaid beneficiary may have no more than \$2,000 in countable assets (stocks, bonds, etc). The spouse may be able to keep up to \$95,100 (in 2005) in countable assets.
- The home, regardless of value, is not a countable asset under Medicaid. Medicaid applicants may protect savings by spending them on non-countable assets such as the house, by paying off a mortgage, making home repairs, or buying a new home.
- After a Medicaid recipient dies, the state must try to recoup the amount it paid for benefits from his or her estate (usually the home). This is called “estate recovery.” If the surviving spouse or certain other relatives live in the home, they may not have to repay Medicaid.

Medicare

Medicare covers a home health aide, but only while a beneficiary needs skilled medical care. Older beneficiaries typically receive 78 days of home care. Although Medicare will pay up to 100 days of nursing home care, the average covered stay is 23 days. Without adequate resources, older people who are recovering from a serious illness or injury could get caught short.

Role for Reverse Mortgages

With limited government funds, Americans are being encouraged to take more responsibility for aging in place. Reverse mortgages can help older homeowners better manage their assets by:

- **Offering a new planning solution**—Borrowers have more options to deal with the risk of needing help at home, even if they have not been able to plan far in advance.
- **Lowering the likelihood for spend-down**—Additional cash from reverse mortgages gives impaired elders the flexibility to fill unanticipated needs and avoid a cash crunch.
- **Providing the “glue” that holds financial plans together**—These loans can put seniors back in a position to use their existing financial resources strategically.

It is hard to make financial decisions in a crisis. Older homeowners must learn to plan ahead to ensure that reverse mortgage funds for aging in place will be available when they need them.

ADDITIONAL INFORMATION

Driscoll, M (2003). *The Complete Idiot’s Guide to Long-Term Care Planning*. Alpha Books.

Stum, M (2003). *What is it Like to Spend Down to Medicaid?* University of Minnesota. www.financinglongtermcare.umn.edu/basics/financialoptions/factsheet/spenddown/spenddown1.htm

Glossary of Terms

Activities of Daily Living (ADLs)—Essential personal care tasks that are done every day. These include dressing, eating, bathing, using the toilet, transferring from a bed to chair, and continence (the ability of the body to control urination or bowel movements or both).

Acute Care—Short-term treatment for a medical condition due to illness or injury that is usually provided in the hospital by specially trained personnel.

Administration on Aging (AoA)—An agency of the Department of Health and Human Services that provides home and community-based services to older people through the programs funded under the Older Americans Act. AoA works closely with its nationwide network of State and Area Agencies on Aging.

Adult Day Centers—Community-based group programs that provide health, social, and other supportive services to adults with a physical or cognitive impairment. Adult day centers generally operate programs during normal business hours five days a week.

Aging in Place—The ability to continue to live in one's home safely, independently, and comfortably, regardless of age, income, or ability level. It means living in a familiar environment, and being able to participate in family and other community activities.

Alzheimer's Disease—A progressive brain disorder that gradually destroys a person's memory and ability to learn, reason, make judgments, communicate and carry out daily activities. As Alzheimer's progresses, individuals may also experience changes in personality and behavior.

Area Agency on Aging (AAA)—A local agency that coordinates and contracts for social services for people age 60 and older in their area. AAAs are funded through the Older Americans Act.

Assisted Living Facility—Senior housing that provides supportive services and health care to people who need help with activities of daily living. Residents live in individual apartments and typically pay out-of-pocket for this housing option.

Caregiver—An individual who provides ongoing assistance and companionship to another adult who can no longer live independently. Most caregivers are unpaid family members and friends.

Center for Medicare and Medicaid Services (CMS)—As part of the Department of Health and Human Services, CMS finances and administers the Medicare and Medicaid programs.

Chronic Health Condition—An ongoing or recurring illness or other condition that typically continues over long period of time and cannot be cured. It is often associated with disability.

Cognitive Impairment—Deterioration of intellectual ability. Symptoms include disorientation, along with impaired short-term or long-term memory and ability to reason. Cognitive impairment includes Alzheimer’s disease and other forms of irreversible dementia.

Community-Based Services—Services designed to help older people live independently in their own homes, such as adult day centers and senior centers.

Continuing Care Retirement Communities (CCRCs)—Housing communities that provide different levels of assistance, from independent living apartments to skilled care in a nursing facility. Residents move from one setting to another within the community, based on their needs.

Functional Impairment—Reduced functional ability, which is often measured by limitations in activities of daily living. A person can also be functionally impaired if they have limitations in cognitive or social abilities.

Home Health Aide—A person who provides homemaker services, personal care, and emotional support under the supervision of a registered nurse, physical therapist, or social worker.

Home Health Care—Services delivered at home to recovering, disabled, chronically or terminally ill people who need medical, nursing, social, or therapeutic treatment, and/or help with activities of daily living.

Home Modifications—Changes made to adapt living spaces to meet the needs of people with physical or mental limitations so that they can continue to live independently and safely. Modifications can range from replacing doorknobs with pull handles to full-scale construction projects.

Homemaker Services—Help with household chores including shopping, laundry, light cleaning, meal preparation, and transportation.

Instrumental Activities of Daily Living (IADLs)—Tasks that enable a person to live independently. They include grocery shopping, meal preparation, using the telephone, doing laundry, light housekeeping, bill paying, and managing medications.

Long-Term Care—A comprehensive range of health, social, and supportive services provided over an extended period of time to people with physical or mental impairments, who have lost the ability to function independently. These services can be provided by paid or unpaid caregivers at home, in the community, in assisted living facilities, or nursing homes.

Long-Term Care Insurance—An private insurance policy that helps pay for non-medical care for people who need help with activities of daily living. Comprehensive policies cover services provided at home, in an assisted living facility, and a nursing facility.

Medicaid—A joint federal/state program that pays medical assistance for people with low incomes or very high medical bills relative to their income and assets. Medicaid is the primary payer of long-term care in our nation.

Medicare—The federal health insurance program for people age 65 or older, and for some younger people with a disability. Medicare does not pay for long-term care.

Nursing Facility—A residential facility that is licensed to provide nursing care, rehabilitative care, or specialized care for Alzheimer's patients.

Older Americans Act (OAA)—The Older Americans Act was signed into law in 1965. In addition to funding the Administration on Aging, the OAA distributes federal funds to states for information centers about senior services, and to pay for meals and other social services.

Respite Care—Temporary or periodic care for impaired people that enables their usual caregivers to take a break from their caregiving responsibilities. Respite care can be provided at home, in the community, or in a nursing home or assisted living facility for short periods.

Senior Center—Community-based programs that provide a variety of services that can include social activities, nutrition, and educational and recreational opportunities for older adults.

Skilled Care—Nursing and rehabilitative care that can be performed only by, or under the supervision of, licensed and skilled medical personnel.

Spend Down—A requirement that an individual use up most of his or her income to meet Medicaid eligibility requirements.

Supportive Services—Assistance provided by professionals to help impaired elders to continue to live at home. These can include in-home services such as home health care and chore services, along with adult day centers and respite care.

PowerPoint Presentation

The following PowerPoint presentation can help you educate consumers and professionals about this financing option for aging in place. The main slide show is designed for consumers. Additional slides are available at the end of the slide show for presentations to service providers and other professionals who work with seniors.

The slide show is available in PowerPoint format on the NRMLA Member Website at www.nrmla.org.

SLIDE 1



SLIDE 2

What is Aging in Place?

- The ability to continue to live at home even if you need help with everyday activities.
- It's more than just staying put. You need:
 - A safe and comfortable house that is in good repair.
 - Access to reliable and affordable help.
 - Transportation to shopping and community activities.

SLIDE 3

Aging in Place Can be Expensive

- Average cost for help with a chronic condition.
 - Home health aide: \$72 per visit (\$2,160 per month)
 - Licensed nurse at home: \$37 per hour
 - Adult day center: \$56 per day (\$1,120 per month)
- Home modifications for safety and comfort.
 - Install a grab bar: \$75-\$150.
 - Add a stair lift: \$2,500 and higher.
- Scooter: \$600 to over \$5,000.

SLIDE 4

Options To Consider

- Sell the house and move to a place that offers more support (such as assisted living).
- Move in with family.
- Rely on public programs such as Medicaid or community services (such as Meals on Wheels).
- Tap home equity to pay for help at home.

SLIDE 5

How Can Home Equity Help?

- Home equity is the difference between the appraised value of your home and what you owe on any mortgages.
- On average, home values increased by over 11% from 2003 to 2004.
- If you've owned your home for many years, it may be worth a lot more than what you paid.
- Much of your net worth may be tied up in home equity.

SLIDE 6

Options to Tap Home Equity

- Conventional mortgage
 - Short-term needs or uncertain about ability to stay home.
 - Need enough income to make monthly loan payments or you may lose the home.
- Single purpose loan
 - Specific need - property tax deferral, home repair.
 - Ties up remaining home equity.
- Reverse mortgage
 - Pays for ongoing services and supports at home.
 - Need to be able to continue to live at home.

SLIDE 7

Reverse Mortgages – The Basics

- A loan that allows homeowners age 62+ to convert home equity into cash while living at home for as long as they want.
- Can receive payments as a lump sum, line of credit, monthly payments (for up to life in the home).
- Funds are tax-free and can be used for any purpose.
- Loan comes due when the (last) borrower moves out, dies, or sells the home.
- Borrowers continue to own the home.

SLIDE 8

Types of Reverse Mortgages

- Types of reverse mortgages
 - Federally insured *Home Equity Conversion Mortgage (HECM)* loans are most popular (95% of the market).
 - *Fannie Mae Home Keeper* loans have a higher loan limit than HECMs.
 - *Financial Freedom Cash Account* loans are designed for people with expensive homes (over \$400,000).
- How much cash you get depends on your age (and spouse's age), type of reverse mortgage, home value, any debt on the home, and the interest rate.

SLIDE 9

Consumer Protections

- You must meet with an independent counselor approved by HUD before you incur any costs or your loan application can be processed.
- Upfront costs of the loan are regulated, and there are limits on the total fees that can be charged.
- Lenders are required to give you an estimate of the total loan costs over time.
- You or your heirs never owe more than the value of the house at the time of sale or repayment of the loan.

SLIDE 10

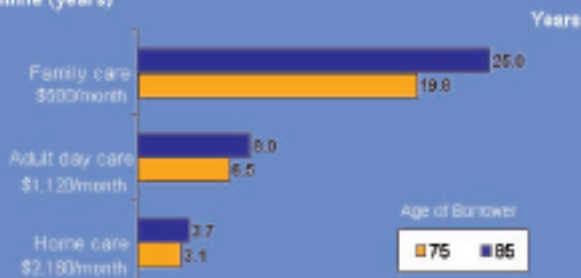
Advantages of Reverse Mortgages

- Pay for immediate needs
 - Flexibility to get the things you want when you need them.
 - Additional funds to help avoid a cash flow crunch.
 - You pay interest only the amount that you borrow.
- Help plan for the future
 - Pay for home modifications to avoid accidents that can lead to the nursing home.
 - Fill gaps in existing financial plans.

SLIDE 11

Funds From a Reverse Mortgage Can Pay for Home Care for Many Years

Likely duration of funds based on monthly withdrawals from a HECM credline (years)*



*HECM estimate based on a \$122,190 home at age 75 and 85 and an annual credline interest rate of 5.46%. Source: National Council on the Aging analysis using the AARP reverse mortgage calculator.

SLIDE 12

Concerns About Reverse Mortgages

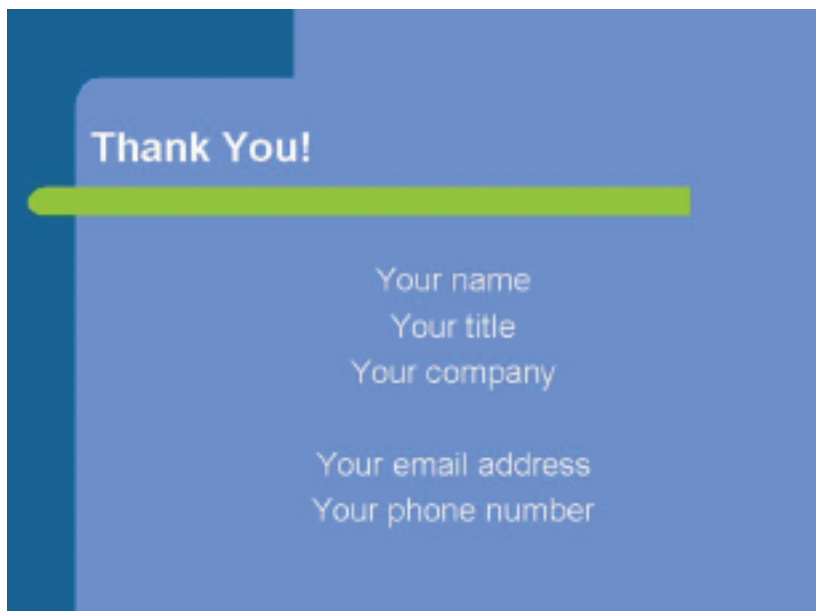
- Reverse mortgages can be costly for borrowers who only stay in their home for a few years.
 - Closing costs can add up to more than 5% of home value.
 - HECM loans require mortgage insurance.
- Borrowers may use up a large part of their home equity, so less is available for an inheritance.
- The loan becomes due if you live in assisted living or a nursing home for more than 12 months.
- It typically takes 45 to 90 days from application to loan closing. Repairs may slow down the process.

SLIDE 13

Making Wise Choices

- If used appropriately, reverse mortgages can be a helpful source of funds for aging in place.
- Consider any loan carefully since the home may be your most important financial asset.
- Make sure you can continue to live at home safely and comfortably.
- Government programs may be another option if you have few financial resources.

SLIDE 14

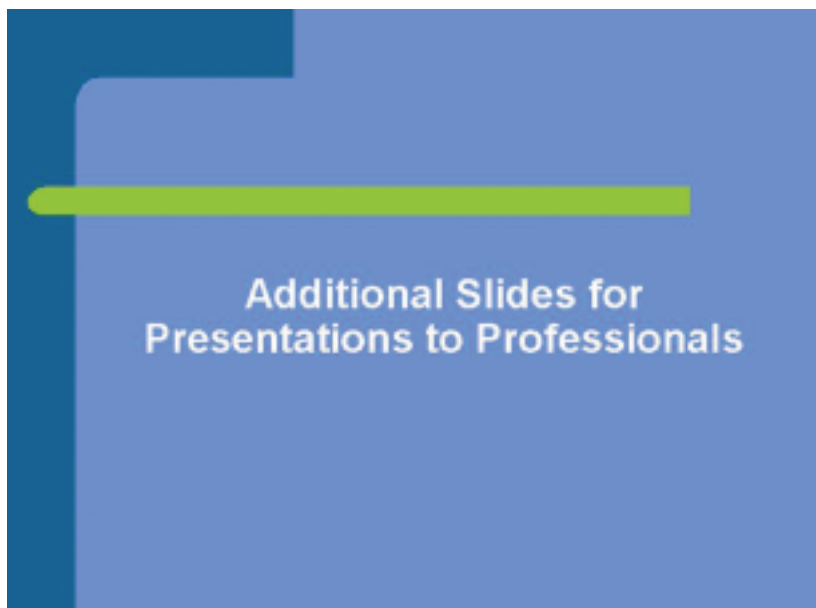


Thank You!

Your name
Your title
Your company

Your email address
Your phone number

SLIDE 15



**Additional Slides for
Presentations to Professionals**

SLIDE 16

Can Home Equity Help?

- Home equity can significantly increase private funding for home and community services.
 - 82% of seniors own a home, 74% free and clear of debt.
 - Seniors own more than \$2 trillion in housing wealth.
 - About half of seniors' net worth is in home equity.
- Challenges of tapping home equity.
 - Today's seniors are reluctant to use home equity.
 - Public policy has largely ignored home equity as a source of funding for long-term care.
 - More consumer protections for impaired homeowners.

SLIDE 17

48% of older households are candidates to use a reverse mortgage for LTC

N=27.5 million households age 62+**

Homeowners,
not RM candidate*
(22%)
6.1 million

Not homeowners
(22%)
6.0 million



Homeowners, RM candidate
<\$20K RM loan (7%)
1.8 million

Homeowners, RM candidate
\$20K+ RM loan (48%)
13.2 million

*Not a RM candidate – mobile home residence, spouse age <62, insufficient equity. ** Home ownership status unknown among 1% of total households (0.4 million).

SOURCE: National Council on the Aging (2005). [Use Your Home to Stay at Home](#).

SLIDE 18

How to Pay - Short-Term Options

- Conventional home equity loan.
 - Can get money quickly if you qualify.
 - Must make monthly payments or you could lose the home.
- Single purpose home loans.
 - Low cost loans offered by a community or state.
 - Used only to defer property taxes or for home repairs.
- Medicare.
 - Help from a home health aide while you need skilled nursing care or rehabilitation therapies.

SLIDE 19

How to Pay - Long-Term Options

- Long-term care insurance.
 - Pays for home care, assisted living, nursing home care.
 - Must be in good health and able to pay premiums to qualify.
- Reverse mortgage.
 - Get cash from your home and live at home as long as you want. You do not make monthly payments.
 - Need to be able to continue to live at home.
- Medicaid.
 - Helps highly impaired seniors who are poor or run out of funds paying for care.
 - Limited choices for care.



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