

Putting it in reverse

Seniors finding mortgage program beneficial

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A growing number of area senior citizens who have found themselves strapped for cash or in debt are turning to a program that could be their salvation.

It's called a reverse mortgage, and it more frequently is becoming the answer for older people in debt, on fixed incomes or unable to sell their homes in today's struggling housing market.

"It helped me get a car. It helped me catch up on some bills. Oh, God, it was a godsend," said Ruby Jean Butler of Flint.

Butler, 84, got her reverse mortgage in 2005 and was so pleased with it that she now promotes the program for Vienna Township-based Senior's Equity Income Inc. The company is one of the area agencies that handles the type of reverse mortgage Butler received - officially called Home Equity Conversion Mortgages.

Unlike a standard mortgage, a reverse mortgage gives seniors money from their home equity based on their age, home value and interest rates.

In the Flint region, which includes some surrounding counties, there have been 409 reverse mortgages issued from Oct. 1 through July. This is up significantly from the 39 loans closed in the region in the 2002-03 fiscal year, according to numbers from the U.S. Department of Housing and Urban Development.

Nationally, it's also jumped considerably. From Oct. 1 through July, there have been 90,882 reverse mortgages issued nationally compared to just 13,049 issued in 2002-03.

"It's a darn good program that's trending up," said George W. Kitchen, state director of Senior's Equity Income.

Kitchen of Vienna Township is the former president of Michigan National Bank's Genesee County operations, and he got into reverse mortgage lending nearly four years ago. His older brother, Joseph of Indiana, owns the company and started it in 1999.

Home Equity Conversion Mortgages, available since 1989, are designed and insured by the Federal Housing Administration, a branch of HUD, Kitchen said.

It's available to seniors 62 and older who own their home outright or have low mortgage balances and who attend a reverse mortgage counseling session with a HUD-approved counselor.

Generally, seniors can take 50 percent to 70 percent of their home's appraised value, Kitchen said. All liens on a home must be paid, and a borrower can never owe more than a home's value, Kitchen said.

"The older you are, the more you get in this program," he said.

But the program isn't for everyone, Kitchen said. It's probably not for those who are planning to move from their home in the next three to five years. It also has higher closing costs than a traditional mortgage.

The reverse mortgage process takes about four to six weeks, Kitchen said. Borrowers can select a lump sum, fixed payments for life or a payment for a designated time, a line of credit or a combination.

Butler used a portion of the \$60,000-plus she received to pay off about \$8,000 in liens on her home that accumulated from the previous homeowner, who was on a land contract with Butler. She also got a lease on a new car and paid some bills. For the rest of the money, she set it up so she gets monthly payments to subsidize her Social Security income.

"They originally figured the monthly payments until I was 120, but I got an advance on it, so now (the monthly payments are) until I'm 110," Butler said. "I'm planning to go past 100."

When a homeowner dies, the servicer sells the home and uses the sale money to pay off the principle loan, accumulated interest, real estate fees and any other costs. Remaining proceeds go to the estate.

Lee and Faith Cherry got a reverse mortgage in 2005 and used the money to pay off the \$110,000 mortgage on a home they bought in Richfield Township seven years ago. They went from having a \$715 monthly mortgage payment to no payment at all. In addition, they were able to get an extra \$15,000 that they can draw on if needed.

"It's real nice. We don't owe anybody anything," said Lee Cherry, 74. "It allows us to do some things we want to do. We went to California a year ago when our grandson got married. We anticipate another grandson getting married in Florida in the near future, and now we have a little bit of money where we can make the trip a vacation instead of going just for that purpose. We can go two or three weeks and enjoy life.

"When you get to be my age, that's what you look forward to. Enjoy it when you can."

Lee Cherry said he initially was skeptical of the program and researched it carefully. He's now a promoter of it and works as a senior adviser for Senior's Equity Income.

Cherry, a retiree, also is a volunteer Medicare Medicaid Assistant Program counselor, in which he helps other seniors with their paperwork for their benefits.

He said there's great need for a program like reverse mortgages. "There's a lot of people really struggling because of medical costs getting so high, and these prescriptions are unbelievable," Cherry said. "I'm afraid it's going to get worse because of what's coming up with the (new UAW) contracts."

Kitchen said the reverse mortgage program is expected to grow even more as baby boomers start to reach age 62.

Interest is adjusted monthly or annually on the reverse mortgages and is added to the loan balance, Kitchen said. Also, closing costs run a few thousand dollars or more and can be paid from the proceeds.

Kitchen said many are concerned that a reverse mortgage will pass a debt on to their heirs, but he said it doesn't work that way. The heirs or the estate will have to pay off the debt when the home is sold, but the debt can never exceed the home value. If a home is sold for less than what's owed, the FHA insurance portion of it kicks in, and the remaining part of the debt is forgiven, he said.

"I don't think the program is for everybody," Kitchen said. "But it's a great program for some people."