Descriptive Analysis of Reverse Mortgage Counseling Clients

Lucy Delgadillo[1], Cindy R. Stokes[2], Jean M. Lown[3]

This study describes demographics of clients seeking a Reverse Mortgage (RM) in a Department of Housing and Urban Development (HUD) approved counseling center to understand why seniors seek RMs and to document how counseled seniors who followed through received their RM funds. Their main reasons for seeking a reverse mortgage were to pay off an existing mortgage, increase income, and pay off consumer debt. Only about half of the sample who received the mandatory pre-purchase counseling decided to obtain the reverse mortgage. Implications for practitioners, including the high cost of RMs, the decreasing median age of an RM mortgagor, and the increasing demand of this lending product are presented along with updates on major changes in HUD reverse mortgage regulations.

Keywords: financial counseling, home equity conversion mortgages, housing counseling, reverse mortgages.

Introduction

The number of Americans age 65 and older is estimated to double to 83.7 million by 2050, from 43.1 million in 2012 (Ortman, Velkoff, & Hogan, 2014). By 2056, more Americans will be over 65 than under 18 years old (Colby & Ortman, 2014). Over the coming decade, a growing number of Americans will cross the age threshold of 62 and qualify for a reverse mortgage (RM). Many of these potential borrowers will owe both mortgage and consumer debt. According to U.S. Census Bureau data, the percentage of all households with debt decreased from 2000 to 2011; but the median amount of both secured and unsecured debt increased, with ages 55-64 and age 65 and older reporting the largest increases in total debt (Vornovytsky, Gottschalck, & Smith, 2013). Persons age 65 and over became more likely to owe mortgages and their median housing debt doubled (Vornovytsky et al., 2013).

Financing a comfortable retirement is a growing concern for many adults and a concern to public policy makers. As life spans lengthen, challenges include paying for health care (Fronstin, Salisbury, & VanDerhei, 2013; Lee, 2005), home repairs, and property taxes, as well as managing debts and mortgages (DeVaney, 2008; Weber & Chang, 2006). A decline in traditional pensions, shrunken 401(k) balances, and low savings rates, coupled with concerns about Social Security and Medicare funding, contribute to the risk of inadequate funds to finance lengthy retirements (Eschtruth, Sun, & Webb, 2006). Reverse mortgages, also known as Home Equity Conversion Mortgages (HECM), were designed to help "house-rich" and "cash-poor" senior citizens tap their home equity to pay for living expenses (U.S. Department of Housing and Urban Development, 2012a; Weber & Chang, 2006; Williams & Kao, 1997). The national median home equity of $140,000 exceeds average pre-retiree financial assets of less than $100,000 (Munnell, Orlova, & Webb, 2012). Thus RMs seem a logical option for closing the retirement financial security gap (Munnell et al. 2012), yet only 2% of eligible homeowners take advantage of RMs (Center for Retirement Research at Boston College, 2010).

The purposes of this exploratory study are a) to describe demographics of clients seeking an RM in a HUD-approved financial counseling agency; b) to understand why seniors seek RMs; c) to document how counseled seniors who followed through to obtain an RM chose to receive the funds, and d) to describe statistical differences by age for clients seeking an RM. The following questions guided the study:

1. What were the demographic, debt, and mortgage profiles of RM clients?
2. What were the presenting reasons for seeking an RM?
3. What percentage of clients followed through with RM financing?
4. Were there any differences in the reasons for considering an RM between younger and older clients?

The results of this study could improve RM counseling services, especially for newly certified RM counselors. Identification of RM triggers can suggest possible early retirement or pre-retirement preparation, strategies, or interventions to better prepare housing counselors and other

[1]*Family, Consumer, and Human Development Department, Utah State University, 2905 Old Main Hill, Logan, Utah 84322, 435-797-7204, Lucy.delgadillo@usu.edu*
[2]*Family, Consumer, and Human Development Department, Utah State University, 2905 Old Main Hill, Logan, Utah 84322, 435-797-8997, Cindy.s@aggiemail.usu.edu*
[3]*Family, Consumer, and Human Development Department, Utah State University, 2905 Old Main Hill, Logan, Utah 84322, 435-797-1569, Jean.lown@usu.edu*

Journal of Financial Counseling and Planning Volume 25, Issue 2, 2014, 115-128.
© 2014 Association for Financial Counseling and Planning Education®. All rights of reproduction in any form reserved

financial advisors to serve their clients.

Background: Assets, Debt, and Income in Retirement

Because average life expectancy has increased in recent decades, the average American reaching age 65 can expect to live another 18.8 years (Administration on Aging, 2011). Due to longer life spans, retirees must stretch retirement assets over decades. Although less than one third of respondents had calculated how much they needed to save for retirement, the 2013 Retirement Confidence Survey found confidence in being able to retire comfortably at an historical low; although 2014 reported a slight rebound, only 18% of respondents were very confident of a comfortable retirement based on their current assets (Helman, Adams, Copeland, & VanDerhei, 2014).

For many elderly homeowners, housing wealth is often the largest non-pension component. For example, the 2007 Survey of Consumer Finances (SCF) data suggest that, for 6.5 million homeowners aged 62 or above, or a quarter of all homeowners in this age group, housing wealth represents at least 80% of their total wealth (Shan, 2011). However, most "older Americans do not plan to sell their homes to pay for additional retirement expenses" (Lusardi & Mitchell, 2007, p. 212). With longer life spans, inadequate retirement savings, and higher consumer debts, Moschis and Burkhalter (2007) identified "retirement income adequacy" as a major concern for current and future retirees. Eschtruth et al. (2006, p.1) asked, "Will reverse mortgages rescue the baby boomers?"

Americans aged 65 and older tripled their mortgage debt between 1989 and 2001 (adjusting for inflation) to a median of $44,000 (Apgar & Di, 2005) and doubled it again from 2000 to 2011 (Vornovytsky et al, 2013). From 1989 to 2001, the percentage of households aged 55 to 64 who had paid off their mortgage dropped from 54% to 41% (Apgar & Di, 2005). This trend continues. Based on the Health and Retirement Survey, from 1998 to 2010, the portion of seniors with debt grew from 30% to 46%, while the inflation-adjusted amount of debt grew 56%; mortgages constitute about half of total debt for Americans aged 65 and older (Karamcheva, 2013). Karamcheva (2013) calculated that the mean household leverage ratio for seniors more than doubled from 1998 to 2010, from 6% to 13% of total assets. While younger Americans reduced their total debt, seniors became more likely to shoulder debt compared to a decade ago; they doubled their mortgage debt at the same time as their wealth fell due to the 2008-09 recession (Vornovytsky et al., 2013).

Social Security is the primary source of income for over 80% of older adults in the two lowest income quintiles (Social Security Administration, 2013); almost one-fourth of married couple beneficiaries and almost half of unmarried recipients depend on Social Security for 90-100% of their income (Social Security Administration, 2013). In the future, Social Security is projected to replace a smaller percentage of workers' preretirement earnings due to the increase in the full retirement age, rising Medicare premiums, increased benefit taxation (Munnell & Perun, 2006), and the declining number of workers per retiree.

Longer life spans, fewer pensions, and high consumer debts and mortgages suggest that more seniors will need to tap their home equity in retirement. The research and policy institute literature is virtually unanimous that baby boomers and subsequent generations face a retirement funding crisis. Many older Americans lost their jobs in the 2008-09 global financial crisis and have not regained their pre-crisis pay rates, forcing many to apply for Social Security at age 62, thus settling for a permanently reduced benefit. The average Social Security retirement benefit for a newly retired worker in 2012 was $1,292 (Social Security Administration, 2013). Although many workers have a spouse who qualifies for a payment equal to half the worker's benefit, most retirees would suffer a substantial decline in their living standard if they had to live solely on Social Security. Many state and local government employees did not contribute to Social Security and are instead covered by a state pension plan, many of which are in financial trouble. Adding to the retirement funding crisis is the high cost of health care in retirement, estimated at $122,000 for a man and $139,000 for a woman, for a 90% chance of having enough savings to cover supplemental insurance and out-of-pocket costs (Fronstin et al., 2013).

Employer-sponsored retirement programs are shifting from defined benefit plans to defined contribution plans, which are dependent on individual contributions and unpredictable investment markets. Only about half of American workers are covered by employer retirement plans; fully one-third are not covered at any point during their work life (Munnell & Perun, 2006). Most 401(k) balances are modest (Munnell & Perun, 2006); retirement accounts experienced a combined $2.0 trillion loss between October 9, 2007 and October 9, 2008 (Munnell & Muldoon, 2008). Future retirees may have to work longer to maintain their pre-retirement level of living (Munnell & Perun, 2006) or find other ways to supplement their income.

The Literature on Reverse Mortgage

Reverse Mortgage Basics

For older Americans, home equity is a major component of total wealth (Munnell et al., 2012), yet a home cannot be sold in increments to provide income. Housing equity can be accessed by selling the dwelling, but retirees still need a place to live. An RM allows homeowners to tap housing equity for income (Munnell et al., 2012) by consuming part of their equity while still living in their home (U.S. Department of Housing and Urban Development, 2012a).

To qualify for an RM, homeowners must be at least 62 and occupy the home as their primary residence. The home must be a single-family residence or an owner occupied, two- to four-unit dwelling. It must be mortgage-free or able to become mortgage-free with the proceeds from the RM (U.S. Department of Housing and Urban Development, 2012b).

The RM borrower continues to own the home and is responsible for upkeep, repairs, property taxes, and insurance. If a homeowner fails to keep up these responsibilities, the RM can be called due and payable. Other reasons an RM can be terminated include, but are not limited to, adding a new owner to the home's title, taking out additional debt against the home, filing for bankruptcy, or renting part of the home (U.S. Department of Housing and Urban Development, 2012a).

Because the equity of the home is received as loan advances, the balance continues to grow over the life of the loan. Homeowners can choose between five options to receive their loan proceeds: 1) a lump sum received at closing; 2) tenure payments for as long as at least one of the borrowers resides in the home; 3) payments for a fixed period of time (after the term, borrowers may continue to live in the home and defer the repayment); 4) a line of credit; and 5) any combination of these options. For a small administrative fee, borrowers can also switch options at any time as long as funds are available. The RM comes due when the last borrower dies, sells the home, or permanently moves out. At the end of the mortgage, the loan must be paid in full, including all loan advances, interest, fees, and other charges (U.S. Department of Housing and Urban Development, 2012a).

How much a homeowner can receive from an RM is based on the age of the youngest borrower, the location and value of the home, and current interest rates. The older the borrower(s), the higher the home value, the lower the current interest rate, the more a homeowner can expect to receive. A portion of the equity is kept in reserve to cover fees and interest which are added to the rising loan balance each month (U.S. Department of Housing and Urban Development, 2012a).

Almost all RMs are federally insured Home Equity Conversion Mortgages (HECM) (National Reverse Mortgage Lenders Association, 2013). These loans are insured by the Federal Housing Administration (FHA) through the Mutual Mortgage Insurance Fund (U.S. Department of Housing and Urban Development, 2012b).

Reverse mortgages are expensive. The upfront costs include an origination fee, third party closing costs, mortgage insurance premiums, appraisal, title search, inspections, recording fees, credit checks, and monthly servicing fees. Most of these costs can be financed as part of the mortgage (U.S. Department of Housing and Urban Development, 2012a).

Because of the complexities of RMs, counseling by a HUD-approved RM counselor is required for federally insured HECMs to enhance the ability of homeowners to make informed decisions (Federal Register, 2009). RM counselors from HUD-approved counseling agencies provide education and help clients evaluate alternatives. Counselors also discuss how the client plans to use their equity and educate clients to avoid scams. HECM counseling certificates, valid for six months, are issued at the completion of counseling. Due to the complexity of the product and the importance to financial security in the final years, effective counseling is essential to obtaining the best client outcomes, especially with the new regulations effective in 2013 and 2014, which are listed in Appendix A.

Benefits of Reverse Mortgage

The main benefit of an RM is that it allows a homeowner to convert home equity into income without having to sell their home or make payments for as long as one borrower lives in the home (U.S. Department of Housing and Urban Development, 2012a). The advantages of an RM include access to home equity without selling and moving, borrower does not make monthly payments, there are no income requirements for loan qualifications, and there is flexibility in how to receive payments. Loans can be used to pay off an existing mortgage and to prevent a foreclosure. Further, proceeds from the loan are not taxable (U.S. Department of Housing and Urban Development, 2012a).

Several loan provisions protect both borrowers and lenders. Three provisions protect the borrower: 1) they cannot be

foreclosed on as long as the loan terms are followed; 2) their liability is limited to the value of the home, no matter how long they live; and 3) if the lender fails, FHA insurance pays any remaining monthly payments or line of credit amounts. The lender is protected, as well. The greatest risk to the lender is the possibility of a rising loan balance exceeding the value of the house for long-lived borrowers who choose monthly payments for life. With adjustable interest rates, rising rates could result in a loan balance greater than the house value, and the property value may be less than the lender projected. Under these circumstances, the FHA mortgage insurance covers any losses incurred by the lender (U.S. Department of Housing and Urban Development, 2012a).

As mentioned, the proceeds from a HECM can be obtained in a variety of ways. In the early years of RMs, more than three-fourths of HECM borrowers chose the line of credit option; an additional 12% selected a line of credit in combination with monthly payments (Eschtruth & Tran, 2001; HUD, 2008). However, many recent borrowers chose a lump sum payment to pay off consumer and mortgage debt (Consumer Financial Protection Bureau, 2012).

Disadvantages of Reverse Mortgages

From the demand side, RMs might not be an attractive option to many seniors. Drawbacks of RMs include high costs and the complicated nature of the product. Even though Social Security and Medicare payments are not impacted, eligibility for Medicaid and other need-based government assistance programs can be affected (U.S. Department of Housing and Urban Development, 2008a). An additional drawback is that tenure monthly payments do not increase with inflation and mortgagees who select a term monthly payment may out-live the term.

Reverse mortgages are complicated. Even with the HUD mandated counseling, an RM is a "complex financial instrument poorly understood by those who embrace it" (Weber & Chang, 2006, p. 38). Seniors tend to be trusting and vulnerable, and often have health concerns such as decreased vision and hearing, as well as memory and cognitive problems, placing them at a disadvantage when making a crucial and irreversible financial decision (Adams & Lichtenberg, 2014; Marson & Sabatino, 2012; Plassman et al. 2008).

Although an RM is a legitimate financial product, some lenders market the product so aggressively that their tactics approach predatory lending (Consumer Financial Protection Bureau, 2012; Twomey & Jurgens, 2009). Opdyke (2006) noted that RMs "put a bundle of cash into a consumer's hands, making an enticing target for financial-product sellers to exploit" (p. 2). The Consumer Financial Protection Bureau (2012) reported concerns about the business practices of RM lenders. In response, the FHA made it illegal to include an annuity or other financial or insurance product in a HECM loan closing (U.S. Department of Housing and Urban Development, 2008). Free seminars, DVDs, mailers, newspaper, television and radio ads, and telemarketing phone calls proclaim RM benefits. Celebrity spokespersons reassure potential RM borrowers and extol the pleasures from cashing out equity (Twomey & Jurgens, 2009). RMs are advertised as a guaranteed income for life, a way to pay off a mortgage, to use home equity without having to sell, move, or make payments, to live better, take a dream vacation, go on a shopping spree, or buy a new car, boat, or recreational vehicle (Twomey & Jurgens, 2009; Weber & Chang, 2006).

Elderly homeowners with strong bequest motives might decide against a reverse mortgage to preserve the wealth they prefer to leave to their estates (Shan, 2009). Likewise, housing equity may be considered the emergency fund to pay for long-term care (Shan, 2009). From the supply side, tax delinquency is the greatest lender risk, particularly in jumbo reverse mortgage loans which were offered by private lenders (Shan, 2009; Shan, 2011). Triggered by the global financial crisis and the practice of taking most or all of the proceeds in a lump sum in the first year, some RM borrowers lost their homes to foreclosure when they could not afford their property taxes and insurance payments after depleting their equity. In February 2012, 9.4% of active HECM loans were in default, up from 8.2% in July 2011. The risk of running out of equity is even greater for recent borrowers who are choosing RMs at an earlier age (Consumer Financial Protection Bureau, 2012).

Reverse Mortgage Growth

Over the first 15 years, fiscal year (FY) 1990 to FY 2004, a total of 119,137 RM loans were processed; during the next two years, FY 2006 and FY 2007, 119,482 loans were originated; more than the previous 15 years combined. April 2009 claims the record for monthly volume at 11,660 and FY 2009 set a record high of 114,692 closings. According to the Annual HECM Production Chart, FY2012 HECMs were down by 52% from FY 2009 and 25% from FY 2011 to 54,822 loans. FY 2012 marked the third consecutive year in which HECM volume declined since the 2009 peak; FY 2013 RM originations are projected to equal FY 2012 (National Reverse Mortgage Lenders Association, 2013).

According to the U.S. Census Bureau (Administration on Aging, 2011) about 25 million households are headed by persons 65 years of age and older; of these households, 18 million are potential HECM borrowers, including 13 million with no mortgage debt. Growing numbers of seniors face substantial debt burdens (Helman et al., 2014; Copeland, 2013; Shan, 2011) suggesting future RM growth. Additionally, the Consumer Financial Protection Bureau (2012) reported that in 2009, half of homeowners aged 62 and older held more than 55% of their net worth in home equity. Rapid house price appreciation during the housing bubble contributed to the growth in RM originations (Shan, 2011). All of these factors point to an increase in demand for RMs and the mandatory counseling.

Reverse Mortgage Borrowers

Reverse mortgage borrower demographics have changed over the life of the HECM program (Shan, 2011). In 2000, the median value of a HECM property was $107,000 compared to the median value of $87,000 for homeowners age 62 and older in the general population (Szymanoski, Enriquez, & DiVenti, 2007). HECM property values have increased over the past two decades, peaking during FY 2006 at $289,000 (U.S. Department of Housing and Urban Development, 2008; Szymanoski et al., 2007). Higher house values are reported by HECM borrowers than the general senior population (Shan, 2011).

Borrower age (age of the youngest co-borrower) remained fairly constant through the 1990s, ranging from 75.3 to 76.7 (Szymanoski et al., 2007). During the 2000s borrower age steadily dropped to a low of 73.1 (U.S. Department of Housing and Urban Development, 2008). By 2010 the average age of RM counseling clients was 71.5 years (MetLife Mature Market Institute & National Council on Aging, 2011). Shan (2011) compared borrower and loan characteristics for RMs originated in 1989-2002 to those originated in 2003-2007, documenting significant differences. Recent borrowers are younger, with a spike in demand at age 62, the first year of eligibility (Shan, 2011).

Over the past twenty years, the percentage of single female HECM borrowers decreased from a high of 57.7% in FY 1992 to a low of 40.1%; couple borrowers increased from 26.1% to 38.2% (including all cases with more than one borrower irrespective of gender) and single male borrowers increased to 21.7% from 18.4% (U.S. Department of Housing and Urban Development, 2008; 2012a). Shan's (2011) data confirm this trend toward more couple and single male RM borrowers.

Theoretical Framework

Ando and Modigliani's (1963) life cycle hypothesis of savings and precautionary savings (Carroll, 1997) provide insight into how income and consumption vary over the life cycle. The life cycle hypothesis proposes that people attempt to maintain a stable level of consumption over their lifetime (Ando & Modigliani, 1963). Accordingly, younger people borrow to meet consumption needs, middle-aged adults pay down debt and save part of their earnings, and seniors spend down their assets in retirement "when earned income is reduced" (Danes & Yang, 2014, p. 56). According to the life cycle hypothesis of savings, seniors will enter retirement with minimal debt levels, including little to no housing debt and may consider an RM a means to maintain a constant level of living. This study sought to identify the demographics, current debt levels, and mortgage profiles of RM clients (research question one) and, unique to this study, uncover the reasons why clients were considering an RM (research question two).

The goal of precautionary saving is to protect against future income drops (Carroll, 1997). This hypothesis assumes older adults will be cautious about spending their assets in light of uncertainty, life expectancy, and health care costs (Carroll, 1997). This study also sought to ascertain the percent of RM clients who followed through with an RM (research question three), and to pinpoint any differences between younger and older RM clients (research question four). Reverse mortgages appear well-suited to fit the models of the life cycle hypothesis of savings and precautionary savings by enabling seniors to maintain their pre-retirement level of living and smooth their consumption in retirement without prematurely depleting all their assets.

Specifically, research question two, to determine the reasons seniors sought an RM, addresses the question of whether they were seeking to ensure a steady flow of income to maintain their current level of consumption (life cycle theory), or whether they were focused on more immediate concerns such as paying off consumer and/or mortgage debt. Question four, which compares the reasons younger and older seniors were seeking an RM, also has the potential for shedding light on whether these two groups were making decisions that are consistent with life cycle theory and precautionary savings.

Methods

Sample and Measures

This study used a purposive sample which consisted of 361 now inactive RM clients (with a subset of 101 on which more information was available) who sought reverse mortgage

counseling at the HUD-approved Housing and Financial Counseling Services at the Utah State University Family Life Center in Logan, Utah. All inactive RM files were examined for the twelve year period from October 1, 1997 through September 30, 2009. Client files from October 1, 2005 to September 30, 2009 provided more complete client information because the counseling center introduced new intake forms needed to address some of the research questions presented in this study. In order to receive counseling, HUD requires clients to sign a consent form. Part of the consent form states all information will be kept confidential; clients may either agree to release their information for research purposes or request it be kept confidential. All client data used in this study were released for research purposes, used only after the client's file was closed and personal information was removed. The study was approved by the university's review board for the protection of human subjects.

Client characteristics included: marital status, age, race, employment status, income, savings, non-housing consumer debt, mortgage debt, mortgage status, and property value. Marital status was categorized as married, single, divorced, or widowed. Clients were divided into two age categories: 62 to 74 and 75 and older (Trussell, 2007). Race categories were Caucasian, Hispanic, or other. Employment status was categorized as full-time, part-time, seasonal, self-employed, or retired. Mortgage status was homeowner, mortgagor, or reverse mortgagor.

Reasons for considering an RM included to pay: current mortgage, consumer debt, medical debt, for home improvements, to increase income, to purchase a vehicle, to refinance an existing RM, or other. Clients frequently expressed more than one reason.

Two remaining variables, collected during a follow-up contact within 6 months of counseling just prior to closing the file, were used to determine whether the clients obtained an RM and, if obtained, how the proceeds were received. The outcome variable was dichotomous and coded as 1 = yes, obtained an RM, or 0 = no, did not obtain an RM prior to the counseling certificate's expiration (six months from issue date). The proceeds variable was divided into four categories: a one lump sum, a line of credit, monthly payment either term or for life, or a combination.

Data Collection and Analysis

This exploratory study used a mix of quantitative descriptive analysis with some qualitative analysis (for coding the open-ended questions, e.g. reasons for seeking an RM). Counseling at a HUD approved counseling center from a HUD-approved RM counselor is required for all RMs. Interested consumers contact the counseling center. A session is scheduled and contact information is collected so that an information packet can be mailed to the potential client prior to counseling; this packet contains information about RMs and a client information sheet to be completed prior to counseling. Counseling can be conducted either face-to-face (preferred) or over the phone. Children and/or other trusted friends or professionals are encouraged to attend with the client. The counseling session begins with the explanation and signing of a consent form. The consent form is a HUD and university requirement and contains an explanation of the process and required disclosures, including consent to release information for research purposes or to request confidentiality. No client was denied RM counseling if the participant did not want his/her information used for research purposes. Sessions typically run two hours and end with issuing an RM certificate. Once the file is closed (inactive), personal information is removed prior to use for research. Descriptive data were analyzed using the PASW Statistical Package. In addition to descriptive frequencies and cross tabulations, chi square analysis was used. Because more complete client information was gathered beginning in 2005, a subset of 101 client files was used to address the research questions.

Results

Detailed client characteristics are shown in Table 1. The average age of male clients was 74.0 years (SD = 6.4; median = 73) and 72.0 years (SD = 6.8; median = 72) for females. The majority of clients (69.3%) were married (N = 72); 30.7% were single, divorced, or widowed. Almost all were Caucasian (94.6%); 2.7% were Hispanic, and 2.7% were other minorities. The population of Utah is 83% Caucasian, 12% Hispanic, and 5% other minorities (Kaiser State Health Facts, 2008).

Of the clients who reported their employment status, a higher percentage of female clients (72.6%) were retired compared to 57.3% of males. The average monthly income per client household was $2,452 (SD = $1344.6; range = $650 - $7,700) (Table 2). This state's median annual household income (all ages) was $58,820 (Kaiser State Health Facts, 2008). Younger clients, 74 years and younger, reported a median income of $30,000. Clients aged 75 and older reported a median income of $17,808. The 49 clients who reported non-housing debt owed an average of $15,193 (range = $450 to $105,000). Clients estimated an average property value of $174,382 (SD

Table 1. Client Age Characteristics

Description	N	Min	Max	Mean	Median	SD
All clients' group characteristics						
Age of male clients	77	62	90	74	73	6.4
Age of female clients	95	56	87	72	72	6.8
Age of study group	72	56	90	72.9	72	6.7
Younger (< 74) clients' group characteristics						
Age of younger male clients	55	62	74	70.9	71	4.4
Age of younger female clients	62	56	74	68	68.5	4.3
Older (> 75) clients' group characteristics:						
Age of older male clients	20	75	90	81.4	81	3.6
Age of older female clients	32	75	87	79.6	79	3.4

Table 2. Client Financial Characteristics

Description	N	Min	Max	Mean	Median	SD
Monthly income	96	$650	$7,700	$2,452	$2,083	1344.6
Annual income	96	$7,860	$92,400	$29,483	$24,996	16320.2
Non-housing debt	49	$450	$105,000	$15,193	$10,140	17490.2
Housing debt	64	$1,500	$159,000	$59,851	$54,997	38676.5
Property value	101	$40,000	$800,000	$174,382	$150,000	104475.9

Table 3. Mortgage Profile of Reverse Mortgage Clientele

Mortgagor status	Frequency	Percent
Mortgagor	60	59.4
Reverse mortgagor	6	5.9
Homeowner	35	34.7
Total	101	100

= $104,476; range = $40,000 to $800,000); the median value was $150,000.

As shown in Table 3, more than half of clients (n = 60) had existing mortgages, 6 were seeking to refinance an RM, and 35 were mortgage-free. The average mortgage debt was $59,851 (SD = $38,676.5; range = $1,500 to $159,000). The most common reason for considering an RM was to pay off an existing mortgage (n = 58), the second most common reason (n = 41) was to increase income, and the third reason was to pay off consumer debt (n = 21).

What percentage of clients followed through with RM financing? About half (n = 53) chose to obtain an RM (52.5%) while 42 decided against an RM (41.6%). Of the 53 clients who obtained an RM, 41 reported how they chose to receive the funds: about half (n = 21; 51%) chose a combination of options; about one third of the clients (n= 14) received all or some of the funds as a lump sum; and 14.6% chose a credit line. No mortgagor chose only a monthly income; 47.6% received their funds as either a lump sum or a line of credit.

Although earlier studies (Eschtruth & Tran, 2001) reported that more than three-fourths of HECM borrowers chose the line of credit option, more recent studies (Consumer Financial Protection Bureau, 2012; MetLife Mature Market Institute, 2011) found that borrowers prefer a lump sum in order to pay consumer and mortgage debt. This study confirms the preference for lump sums over lines of credit, raising concerns about premature depletion of home equity. This is a concern that RM counselors need to raise with their clients and any involved children.

One couple was happy to be free of monthly house payments so that the wife could quit her part-time job; another couple was relieved to pay off their non-housing debt, establish a monthly income and a line of credit, and excited to treat themselves to an exercise bike and quilting frame. One widow appreciated not having to pay a monthly mortgage. Another widow was able to retire after eliminating her mortgage payment. A single female used the RM to build a garage and pay off her existing mortgage, with the remaining funds in a line of credit for emergencies. A few clients were shocked at how quickly their RM loan balance increased. Two clients who obtained an RM for emergency funds were seriously considering repaying the loan to eliminate the debt. One couple said they thought the increased income from not having to pay their mortgage would be enough, but after only a few months they realized they needed to curtail spending.

Crosstabs and chi square tests were used to determine if there were statistically significant differences in the reasons for considering an RM between younger and older clients. The results indicate that there is a statistically significant relationship between age and some of the stated reasons for considering a reverse mortgage; namely, paying off an existing mortgage, refinancing an existing RM, increasing income, and paying off consumer debt (the three latter reasons were statistically significant at the .10 level, see Table 4). Younger clients were more likely than older clients to want to pay off an existing mortgage ($p = .043$). Weaker statistical relationships were found for clients who obtained an RM to pay off consumer debt ($p = .072$); for older clients who wanted to refinance their existing RM ($p = .094$) and to increase income ($p = .063$). No statistical differences by age were found for the remaining reasons for considering an RM. The "other" category included being able to afford to retire, to prevent foreclosure, to pay for long-term care, as an option in case investments continued to depreciate, to visit family and travel, to purchase a hearing aid, to pay off a child's mortgage, pressure from a salesperson, as a result of attending a free dinner seminar, because a relative has one and likes it, and to learn more about RMs for potential future use.

Discussion

This study looked at the reverse mortgage clientele of a HUD approved financial counseling center, their numbers and demographics, their financial and mortgage situations, why they sought a reverse mortgage, and whether or not they originated a reverse mortgage within six months of the counseling. The differences between younger and older clients and the differences between married and single clients were also examined.

This study generates new research questions and emphasizes the need for more large holistic and longitudinal research studies. It is notable that only about half of the clients obtained an RM. Results of this study will benefit RM counselors at other agencies as well as counselors, educators, and advisors working with older clients.

The median age of a reverse mortgagor has been decreasing over the life of the program. This study confirmed the national trend of younger seniors tapping housing equity, which is consistent with the growing debt levels of seniors. For example, two client couples sought RMs prior to the wife turning the minimum age of 62. To obtain the mortgage, the wife's name had to be removed from the title of the home; both obtained the RM. Taking on an RM when one member of the couple is under age 62, and thus is not a party to the RM, is very risky when the spouse on the mortgage dies and the RM terminates. In addition to being a concern for married couples, this situation suggests the need for policy reconsideration.

Consistent with DeVaney (2008), this study found more single women (24% of sample) than single men (7%) seeking RM

Table 4. Statistical Association between Reasons for Considering a Reverse Mortgage by Age

Description	Chi square value	df	Sig (2 –sided)
Pay off an existing mortgage	4.08	1	.043*
Refinance an existing RM	2.8	1	.094†
Increase income	3.46	1	.063†
Pay off consumer debt	3.23	1	.072†

Note. More than one reason could be stated by each client.
[a]0 cells (.0) have expected count less than 5.
$* p < .05$, † $p < .10$

counseling. Nationally, RM borrowers are more likely to be single females (44%) than single males (17%) (Federal Housing Administration, 2006). One widowed client in her late 70s sought an RM because she needed to compensate for the reduction in income after her husband's death, a common retirement situation. With additional income from an RM, she was able to maintain her independence and financial security.

Karamcheva (2013) confirmed the growth in debt of older Americans from 1998 to 2010 with more seniors in debt and the inflation-adjusted amount of debt increasing; mortgages account for more than half of the debt. "The portion of older adults with an outstanding mortgage increased significantly, from 16.2 % in 1998 to 23.1% in 2010" (Karamcheva, 2013, p. 1), with the median mortgage debt almost doubling to $51,000 from 1998 to 2010. While many baby boomers are heading into retirement in debt, RMs are a tool to facilitate consumption smoothing in the final stage of their life, consistent with life cycle theory.

The clients in this study owed a median of $54,997 of mortgage debt and a median of $10,140 of non-housing debt. Many retired seniors in this study had unmanageable housing payments and substantial non-housing debt. Regardless of the affordability pressures, many older Americans are unwilling or unable to downsize their housing (Apgar & Di, 2005; Lusardi & Mitchell, 2007).

Limitations of this study include missing data, the limited sample, and the cross-sectional design. Even with the more complete files, some senior clients refused to divulge personal financial information in preparation for and during the counseling sessions; some clients were too embarrassed to admit the extent of their mortgage, debt, and/or savings levels feeling they "should be better off at their age." Some clients were unsure about their personal financial information. Some may have reported their net monthly or annual income amounts rather than their gross as requested; and some were unsure about their property values. These situations created missing data and limitations in income, debt, savings, property value, and employment variables. Second, the study was limited to northern Utah and Southeastern Idaho; the area served by the counseling center. It would have been beneficial if additional housing counseling agencies could have participated. Third, the study was cross sectional in that the clients were only able to be observed during their counseling experience and the follow-up contact to determine the outcome about six months after the counseling. It is unknown what financial successes or difficulties occurred after making the decision to get an RM or not, if the clients were happy with (or without) an RM , and if the RM met their original goals successfully.

While the sample represents clients from only one counseling center serving a limited geographic area, the study is one of few, if any, that report the outcomes of RM counseling. Recent data on rapidly growing debt burdens of seniors (Copeland, 2013; Karamcheva, 2013; Shan, 2011; Vornovytsky et al., 2013) suggests a growing need for RM counseling at a time when the programs are evolving rapidly.

Implications for Research and Practice

Implications for Research

Even though this is an exploratory study, it is unique because it analyzes clients seeking RM counseling rather than borrowers who originated an RM. Based on the findings of this study, six specific research questions have been generated that will help fill the gap in the RM literature to inform counselors, educators, and advisors.

First, what are the financial long-term outcomes for RM borrowers? There is a need to study not only the counseling clients contemplating an RM but the long term outcomes for RM borrowers. It is unknown what financial challenges may have occurred after making the decision to obtain an RM, if the clients were satisfied with (or without) an RM, and if the RM met their original goals. All these topics need to be explored in future longitudinal research.

Second, what is the borrower's financial situation at the time of RM approval? Future research should replicate this study, ideally in a longitudinal format, with data from other housing counseling agencies. These studies should collect additional client information such as current housing debt amount, date of mortgage origination (if housing debt), length of time living in the home, non-housing debt, medical debt, savings, employment status, and a ranking of the reasons for seeking an RM. If the clients had previously obtained RM counseling and decided against an RM at that time, why were they reconsidering an RM?

Third, do RM clientele feel the counseling sessions were educational, helpful, worthwhile, and/or necessary? Are they satisfied with the RM? Did the RM meet their needs? In this study, when following up to collect outcome results, client comments included both positive and negative reactions to their RM counseling. One client commented after arriving at the counseling session that his mind was set on the RM; he

felt the two hour drive to the center was a waste of time, he knew all there was to know about the product, and he did not like being forced to attend counseling. After the session, he said he felt the counseling session increased his knowledge of RMs, had given him several things to consider seriously before proceeding, and that the counseling session was worth every minute. Such feedback can help improve the counseling process.

The preceding example illustrates how the value of the mandatory counseling extends beyond educating clients about RMs but also helps explore alternative means to achieve financial goals. With the concerns raised by the Consumer Financial Protection Bureau (2012) study, does the high rate of decisions against an RM by these clients reflect effective counseling that reveals both the potential pitfalls as well as effective alternatives to RMs? Decisions against a reverse mortgage will need to be studied not only from the efficacy of counseling but also from the incentive structure of the counseling agency. One future question for research would be, is the funding mechanism for RM counselors at some agencies who serve low income clients biased in favor of encouraging RMs? In many cases, the counseling agency only gets paid if the client obtains a RM.

Fourth, with a higher percentage of couples initiating RMs compared to the past and a decreasing median borrower age, more borrowers will hold an RM for longer periods. What will the effects of tapping home equity in their 60s have on a couple's financial stability in their 70s or 80s or when widowed? The results of a longitudinal study could assess the appropriateness of the current minimum age of 62. Perhaps the age needs to be raised similar to the increase in the full Social Security retirement age. A related question is, what is the impact of an RM on a spouse who is younger than 62 and thus removed from the house's title in order for the older partner to qualify for an RM?

Fifth, another area for research is the exploration, via content analysis, of consumer journals to analyze how RMs are treated in the literature. Further, what are the knowledge and attitudes of financial educators toward RMs? Reverse mortgages have not been on the radar screen of many financial educators. Especially with the recent changes in RMs (U.S. Department of Housing and Urban Development, 2013), there is a need for continuing education for the educators.

Sixth, how are RMs framed and promoted by banks and mortgage brokers? RM advertising has been socially constructed to serve as a substitute for retirement savings. Testimonial ads featuring well-known media celebrities promote RMs on national television (Financial Coaching for Life, 2012). The danger of popular promotion of this lending product lies in the market-constructed favorable impression of using an RM as a panacea for lack of adequate retirement funds, promoting the product as an end in itself (a new way of life) rather than as a means to improve cash-poor conditions in the senior years. This suggests the need to determine where the client learned about RMs with a specific focus on advertising channels and messages. Is there a need for closer scrutiny and possible regulation of RM advertising in general and unsolicited direct-mail in particular?

Shan (2011) concluded that the profile of reverse mortgage borrowers may be changing over time. Borrowers who "took out loans in recent years have significantly different characteristics than those who took out loans in earlier years" (Shan, 2011, p. 766). Therefore, Shan's finding suggests that loan termination outcomes that were drawn by previous studies using earlier data may not apply to loans originated in more recent years.

Implications for Counseling

Results of this study can be used to guide the preparation of near-retirement adults for the financial transition from work to retirement and increase the financial well-being of seniors. The findings also provide reminders and insight for RM counselors that many clients may choose to delay the use of the RM to a later date.

Twomey and Jurgens (2009) call for strengthening RM counseling to combat the "marketing machine" (p.11). Too many lenders are aggressively marketing RMs for lifestyle enhancement (Twomey & Jurgens, 2009). With only half of clients choosing to initiate an RM, the role of the counselor is critical in balancing the aggressive marketing. Counseling agencies can use the findings of the current study to encourage reverse mortgagors, and their children, to plan carefully for the use of the funds. It is clear that the role of an RM counselor is much broader than simply providing information; counselors play a critical role in helping clients weigh this very important decision.

With the recent changes in the HECM program, mortgagors can expect higher mortgage insurance premiums (MIP) and lower loan amounts. Mortgagors who cannot show through the HECM Financial Assessment Worksheet that they have the capacity to meet their obligations will be required to

establish a Lifetime Expectancy Set-Aside (LE Set-Aside), thus reducing allocations (U.S. Department of Housing and Urban Development, 2013). What does this mean for counselors? It means fewer clients will have the equity necessary to qualify for a HECM loan, and those who do will receive less. This situation necessitates that counselors work with their clients to build home equity up to the point at which they could qualify for a HECM or help them find alternative solutions to their financial problems. Counselors can also work with their clients to improve their financial capacity and credit score, so that when they do have enough equity, they will not be required to fund the LE Set-Aside. Possibly the most important implication is the need to assist clients with financial behavior changes enabling them to use the proceeds of the loan prudently.

Implications for Educators

While clients reported many reasons for seeking an RM, the largest percentage (60%) sought the RM to pay off an existing mortgage. For many seniors, home equity represents the largest, if not the only, element of wealth over which they have control. Tapping home equity, especially depleting it, early in retirement can cause difficulties in later years. Extracting equity too early can mean problems, especially for women who typically live longer than men. According to Copeland (2013), seniors ages 65-74 in all income brackets have taken on more debt from 1992 to 2010 and the biggest category of debt for seniors is mortgages and home equity lines of credit. At the same time, low to moderate income seniors carry the highest credit card debt load ($9,283) of any age group (Traub & Ruetschlin, 2012). Clearly there is a role for financial educators to address the implications of rising debt loads and not assume that most seniors are paying off their mortgages prior to retirement. More education is needed to encourage homeowners, especially near-retirees, to pay off, or at least pay down, their mortgage before retiring, in addition to reducing their consumer debt loads.

Implications for Advisors

Although this study focused on HUD-mandated RM counseling clients, most of whom are cash poor, since the global financial crisis numerous financial planning articles have recommended RMs for affluent clients. According to Copeland (2013), elderly and near-elderly high-income households are increasingly assuming substantial debt levels; in 2010 for those in the top income tier studied ($100,000+), the average debt burden was $210,863. An earlier analysis (Sun, Triest, & Webb, 2006) reported that a typical household would be 33% better off by incorporating an RM into their overall retirement de-accumulation strategy compared to waiting until they had depleted most other assets. Further, households would be 62% better off by spending their home equity compared to not using it in retirement (Sun et al., 2006). Since the global financial crisis, financial planners are increasingly recommending RMs to wealthy clients as part of a strategy to maximize retirement income (McCarthy, 2012; Sacks & Sacks, 2012; Salter, Pfeiffer, & Evensky, 2012).

The need for qualified RM counselors will increase as the senior population and its debt burden grow. Further, as housing prices recover from the global recession, interest rates remain low, and more Americans reach age 62, the demand for RMs is likely to increase. Because financial planners are recognizing the role of RMs as a tool to maximize retirement income (McCarthy, 2012; Sacks & Sacks, 2012; Salter et al., 2012), RM counselors should prepare to serve wealthy clientele as well as the typical "house rich, cash poor" clients described in this study.

Appendix A.

Recent changes in Home Equity Conversion Mortgages (HECM).

Effective after September 28, 2013 (U.S. Department of Housing and Urban Development, 2013):

HECM Standard and HECM Saver options will no longer be available (unless in pipeline). Those in pipeline must close on or before December 31, 2013.

- HECM options are Traditional, Refinance, and Purchase.
- Fixed and Adjustable interest rates continue to be available.
- Existing Maximum Claim Amount (MCA) continues to be the value of the home up to the limit of $625,500.
- Existing annual Mortgage Insurance Premium (MIP) rate of 1.25% continues to be in effect for all HECMs.
- Initial MIP now 0.50% and 2.50% (previously 0.01% and 2%) and is determined by the mortgagor's initial distribution or total distributions during the first 12-Months. See chart below:

Initial Disbursement at Closing and During the First 12-Month Disbursement Period	Initial MIP	Annual MIP
Amounts of 60% or less of the Principal Limit*	0.50%	1.25%
Amounts greater than 60% of the Principal Limit*	2.50%	1.25%

* Maximum amount a mortgagor may receive from the HECM before any disbursements are made.

Effective on or after January 13, 2014 (U.S. Department of Housing and Urban Development, 2013):

- Mortgagees must perform a financial assessment of all prospective mortgagors on all HECM transaction types (traditional, refinance, purchase).
- Components of underwriting HECM transactions include a credit history analysis, a cash flow/residual income analysis, evaluating extenuating circumstances and compensating factors, and completing a HECM Financial Assessment Worksheet.
- No qualifying ratios are used. The financial assessment is focused on cash flow and residual income to determined capacity to meet obligations such as taxes and insurance and living expenses.
- Where the mortgagee determines, a Lifetime Expectancy Set-Aside (LE Set-Aside) will be set up to pay property taxes, hazard insurance and flood insurance.
- Mortgagors are responsible for paying all other property charges not included in the LE Set-Aside including ground rents, condominium fees, planned unit development fees, homeowners association fees, and any other special assessments levied by municipalities or state law.

References

Adams, S. D., & Lichtenberg, P. A. (2014). How to protect and help clients with diminished capacity. *Journal of Financial Planning, 27*(4), 22-25.

Administration on Aging. (2011). *A profile of older Americans: 2011*. U.S. Department of Health and Human Services. Retrieved from http://www.aoa.gov/AoARoot/Aging_Statistics/Profile/2011/docs/2011profile.pdf

Ando, A., & Modigliani, F. (1963). The life cycle hypothesis of savings: Aggregate implications and tests. *The American Economic Review, 53*(1), 55-84.

Apgar, W. C., & Di, Z. X. (2005, September). *Housing wealth and retirement savings: Enhancing financial security for older Americans*. Joint Center for Housing Studies: Harvard University. Retrieved from http://www.jchs.harvard.edu/research/publications/housing-wealth-and-retirement-savings-enhancing-financial-security-older

Carroll, C. D. (1997). Buffer-stock savings and the life cycle/permanent income hypothesis. *Quarterly Journal of Economics, 112*(1), 1-55.

Center for Retirement Research at Boston College. (2010, March). The NRRI and the house. *NRRI Fact Sheet No. 1*, 1-2. Retrieved from http://crr.bc.edu/special-projects/nrri/fact-sheet-the-nrri-and-the-house/

Colby, S. L., & Ortman, J. M. (2014, May). The baby boom cohort in the United States: 2012 to 2060. Population Estimates and Project. *Current Population Reports*, P25-1141.

Consumer Financial Protection Bureau. (2012, June 28). *Reverse mortgages: Report to Congress*. Retrieved from http://www.consumerfinance.gov/reports/reverse-mortgages-report/

Copeland, C. (2013, February). Debt of the elderly and near elderly, 1992-2010. *Employee Benefit Research Institute Notes, 34*(2), 2-15. Retrieved from http://www.ebri.org/pdf/notespdf/EBRI_Notes_02_Feb-13_DebtEld-Contribs.pdf

Danes, S. M., & Yang, Y. (2014). Assessment of the use of theories within the Journal of Financial Counseling and Planning and the contribution of the family financial socialization conceptual model. *Journal of Financial Counseling and Planning, 25*(1), 53-68.

DeVaney, S. A. (2008). Financial issues of older adults. In J. J. Xiao (Ed.), *Handbook of consumer finance research* (pp. 209-221). New York, NY: Springer.

Eschtruth, A. D., Sun, W., & Webb, A. (2006, September). Will reverse mortgages rescue the baby boomers? *An issue in brief. Center for Retirement Research at Boston College,* (54), 1-6. Retrieved from: http://crr.bc.edu/wp-content/uploads/2006/09/ib_54.pdf

Eschtruth, A. D., & Tran, L. C. (2001, October). A primer on reverse mortgages. *Just the Facts on Retirement Issues* (3), 1-9. Center for Retirement Research at Boston College. Retrieved from http://crr.bc.edu/wp-content/uploads/2001/10/jtf_3.pdf

Federal Housing Administration (FHA). (2006). *Changes in the typical HECM borrower*. Retrieved from http://fhahomereversemortgage.com/huduser-hecm-study

Federal Register. (2009). Home equity conversion mortgage (HECM) counseling standardization and roster. *Federal*

Register, 74(169), 45311- 45317.

Financial Coaching for Life (2012). Celebrities pushing for reverse mortgages…what is wrong with this picture? Retrieved from http://financialcoachingforlife.com/

Fronstin, P., Salisbury, D., & VanDerhei, J. (2013, October). Amount of savings needed for health expenses for people eligible for Medicare: More rare good news. *Employee Benefit Research Institute Notes, 34*(10), 2-7.

Helman, R., Adams, N., Copeland, C., & VanDerhei, J. (2014, March). The 2014 Retirement Confidence Survey: Confidence rebounds—for those with retirement plans. EBRI Issue Brief, (397), 1-36. Retrieved from http://ebri.org/publications/ib/index.cfm?fa=ibDisp&content_id=5362

Kaiser State Health Facts. (2008). *State health facts*. Retrieved from http://kff.org/state-category/demographics-and-the-economy/

Karamcheva, N. (2013, January). Is household debt growing for older Americans? *The Urban Institute's Program on Retirement Policy, Brief #33*. Retrieved from http://www.urban.org/UploadedPDF/412742-Is-Household-Debt-Growing-for-Older-Americans.pdf

Lee, Y.G. (2005). Baby boomers and home equity borrowing. *Journal of Financial Counseling and Planning, 16*(2), 49-61.

Lusardi, A., & Mitchell, O. S. (2007). Baby boomer retirement security: The roles of planning, financial literacy, and housing wealth. *Journal of Monetary Economics*, 54, 205-224.

Marson, D. C., & Sabatino, C. P. (2012). Financial capacity in an aging society. *Generations, 36*, 6-11.

McCarthy, E. (2012). Housing: A potentially active player in client wealth strategies. *Journal of Financial Planning, 25*(4), 20-23, 28.

MetLife Mature Market Institute & National Council on Aging. (2011, August). *Changing attitudes, changing motives: The Metlife study of how aging homeowners use reverse mortgages*. Retrieved from http://www.metlife.com/assets/cao/mmi/publications/studies/2012/studies/mmi-changing-attitudes-changing-motives.pdf

Moschis, G. P., & Burkhalter, J. N. (2007). Making ends meet: How will the elderly manage their finances and post-retirement expenses? *Journal of Financial Services Marketing, 12*(3), 235-241.

Munnell, A. H., & Muldoon, D. (2008, October). Are retirement savings too exposed to market risk? *Center for Retirement Research at Boston College, Issue Brief No. 8-16.* Retrieved from http://crr.bc.edu/briefs/are-retirement-savings-too-exposed-to-market-risk/

Munnell, A. H., & Perun, P. (2006, August). An update on private pensions. *Issue Brief No. 50*. Center for Retirement Research at Boston College. Retrieved from http://crr.bc.edu/briefs/an-update-on-private-pensions/

Munnell, A. H., Orlova, N. S., & Webb, A. (2012). How important is asset allocation to retirement security? *Issue Brief No. 12-1*. Center for Retirement Research at Boston College. Retrieved from http://crr.bc.edu/briefs/how-important-is-asset-allocation-to-retirement-security/

National Reverse Mortgage Lenders Association. (2013). *Annual HECM production chart*. Retrieved from http://www.nrmlaonline.org/RMS/STATISTICS/DEFAULT.ASPX?article_id=601

Opdyke, J. D. (2006, December 27). Making your house pay in retirement. *The Wall Street Journal*, D1-2.

Ortman, J. M., Velkoff, V. A., & Hogan, H. (2014, May). An aging nation: The older population in the United States. Population Estimates and Projections. *Current Population Reports*, P25-1140, pp. 1-28.

Plassman, B. L., Langa, K. M., Fisher, G. G., Heeringa, S. G., Weir, D. R., Ofstedal, M. B., ... & Wallace, R. B. (2008). Prevalence of cognitive impairments without dementia in the United States. *Annals of Internal Medicine*, 148, 427-434.

Sacks, B., & Sacks, S. (2012). Reversing the conventional wisdom: Using home equity to supplement retirement income. *Journal of Financial Planning, 25*(2), 43-52.

Salter, J., Pfeiffer, S., & Evensky, H. (2012). Standby reverse mortgages: A risk management tool for retirement distributions. *Journal of Financial Planning, 25*(8), 40-48.

Shan, H. (2009). Reversing the trend: The recent expansion of the reverse mortgage market. *Working Paper #2009-42*. Finance and Economic Discussion Serious Paper. Washington: D.C: Federal Reserve Board.

Shan, H. (2011). Reversing the trend: The recent expansion of the reverse mortgage market. *Real Estate Economics, 39*(4) 743-768. doi: 10.1111/j.1540-6229.2011.00310.x

Social Security Administration. (2013). Fast facts and figures about Social Security, 2013. SSA Publication No. 13-11785. Washington, D.C.: Social Security Administration

Sun, W., Triest, R. K., & Webb, A. (2006, November). Optimal retirement asset decumulation strategies: The impact of housing wealth. *Working Paper #2006-22*. Center for Retirement Research at Boston College. Retrieved from http://crr.bc.edu/working-papers/optimal-retirement-asset-decumulation-strategies-the-impact-of-housing-wealth/

Szymanoski, E. J., Enriquez, J. C., & DiVenti, T. R. (2007). Home equity conversion mortgage terminations:

Information to enhance the developing secondary market. *Cityscape: A Journal of Policy Development and Research, 9*(1), 4-46.

Trussell, T. (2007, July 1). Defining a senior: Gerontologists are talking about revising the definition of old. *Saturday Evening Post, 279*(4), 80-83.

Twomey, T., & Jurgens, R. (2009, October). *Subprime revisited: How reverse mortgage lenders put older homeowners' equity at risk.* National Consumer Law Center, 1-21. Retrieved from http://www.nclc.org/images/pdf/pr-reports/report-reverse-mortgages-2009.pdf

Traub, A., & Ruetschlin, C. (2012). *The plastic safety net*. New York, NY: Dēmos. Retrieved from http://www.demos.org/publication/plastic-safety-net

U.S. Department of Housing and Urban Development. (2008). A turning point in the history of HUD's home equity conversion mortgage program. *1st Quarter 2008: U.S. housing market conditions*. Washington, DC: Office of Policy Development and Research.

U.S. Department of Housing and Urban Development. (2012a). *FHA reverse mortgages (HECMs) for seniors*. Washington, DC. Retrieved from http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmabou

U.S. Department of Housing and Urban Development. (2012b). *FHA single family mutual mortgage insurance programs*. Washington, DC. Retrieved from http://portal.hud.gov/hudportal/documents/huddoc?id=MMIQtrlyQ2_2012Final.pdf

U.S. Department of Housing and Urban Development. (2013). Mortgagee letter 2013-27. Retrieved from http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/letters/mortgagee

Vornovytsky, M., Gottschalck, A., & Smith, A. (2013). *Household debt in the U.S.: 2000 to 2011*. Retrieved from http://www.census.gov/people/wealth/files/Debt%20Highlights%202011.pdf

Weber, J. A., & Chang, E. (2006). The reverse mortgage and its ethical concerns. *Journal of Personal Finance, 5*(1), 37-52.

Williams, F.L., & Kao, Y.E. (1997). Value of home equity used in reverse mortgages as a potential source of income for elderly Americans. *Journal of Financial Counseling and Planning 8*(2), 57-64.

About the Authors:

Lucy M. Delgadillo, Ph.D., CMC, is an Associate Professor and Certified Master Coach, in the Family, Consumer and Human Development Department, Utah State University. She holds degrees in Journalism from University of Costa Rica, Broadcasting and Sociology from Murray State University, a Master of Science in Political Sciences and a Ph.D. in Family Life from Utah State University. She has published more than 100 articles in refereed journals and conference proceedings and has made over 70 presentations at international, national and regional conferences. Delgadillo is an Associate co-editor for *Family and Consumer Sciences Research Journal* and has served on editorial boards for *Journal of Consumer Affairs and Housing and Society*. Her research interests include housing finance, financial coaching, financial counseling, homebuyers counseling and educational programs, and consumer protection. Her most recent interest and training is in financial coaching for individuals and families.

Cindy R. Stokes, M.S., AFC®. is a Lecturer in the Family, Consumer, and Human Development Department at Utah State University. She is an Accredited Financial Counselor®, a Certified Housing Counselor®, a HUD Approved Reverse Mortgage Counselor, and is NCHEC Housing Counseling, Pre-Purchase, Post-Purchase, and Mortgage Default Certified through NeighborWorks© America. Her research has been concentrated on reverse mortgage, and also includes financial and housing education, counseling, coaching; housing finance; resource management; and behavioral motivation.

Jean M. Lown, Ph.D., is a Professor in the Family, Consumer, and Human Development Department at Utah State University. Her research focuses on how to motivate women to take responsibility for their financial security and behavioral finance. Using both quantitative and qualitative methods, she has published and presented in national and international journals and conferences. She participated in the regional research project NC-1172: The Complex Nature of Saving: Psychological and Economic Factors (2008-2013) and is a member of the NC 2172 project: Behavioral economics and financial decision-making and information management across the lifespan. She is the recipient of the Association for Financial Counseling and Planning's 2011 Best Paper Award for the paper entitled "Development and Validation of The Financial Self-efficacy Scale."