

PROTECTING ELDERLY HOMEOWNERS: REVERSE EQUITY MORTGAGES AS A FORECLOSURE INTERVENTION TOOL

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Protecting Elderly Homeowners: Reverse Equity Mortgages as a Foreclosure Intervention Tool

Lisa Travis

Abstract

Homeowners facing foreclosure by definition are short on money and vulnerable. As many homeowners face economic instability due to the “Great Recession” and have an increased need for cash flow, they become more susceptible to losing their homes due to mortgage delinquency, foreclosure, or predatory lending practices. Elderly homeowners are especially susceptible as over 684,000 homeowners age 50 and over were delinquent, in foreclosure, or lost their home. Reverse equity mortgages may be solution for elderly homeowners that will allow them to increase their cash flow while at the same time reduce the risk of them losing their homes to foreclosure.

This project targeted elderly homeowners 62 years old and older who are at risk of losing their home to foreclosure in Indiana and state certified housing counselors. The project provided training to state certified housing counselors on two training curriculums. One curriculum focused on conducting reverse equity mortgage classes with elderly homeowners to raise their awareness about reverse equity mortgages. This curriculum was based on a similar structure to traditional pre-purchase housing counseling classes. The second curriculum focused on one-on-one counseling techniques and screening foreclosure clients to evaluate whether reverse equity mortgages are a viable foreclosure intervention tool. As a result of training received by state certified housing counselors, two elderly homeowners have avoided foreclosure in Indiana within two months of the training.

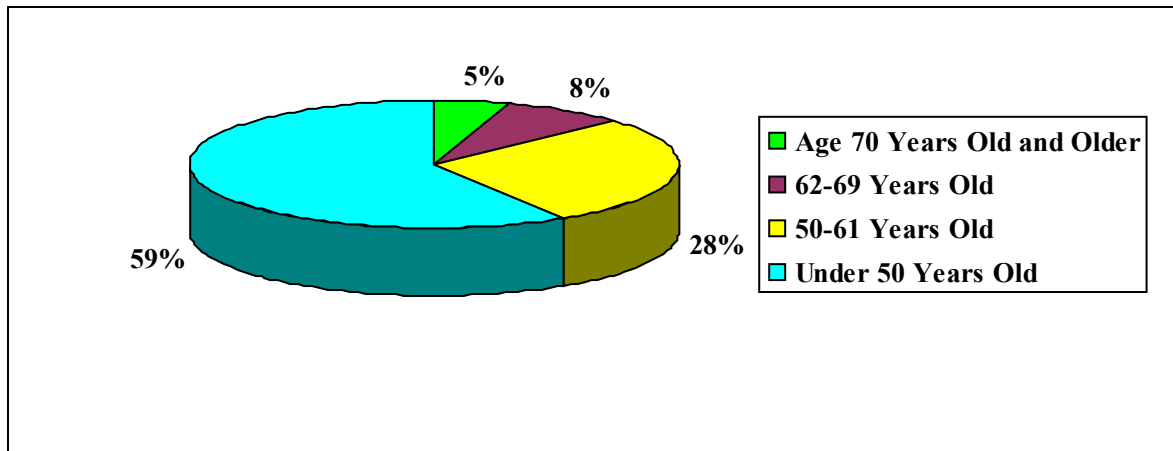
I. Community Context

The national recession or the “Great Recession” as it has come to be known is the worst economic downturn the U.S. has experienced since the Great Depression (Isidore, 2009, March 25, p. 1). “The bursting of the housing bubble in 2006 followed by crash of the stock market robbed Americans of \$15 trillion in personal wealth in a matter of months and has had a substantial impact on many Americans” (Pollack, 2009, p.3).

At the same time many people are facing these economic challenges, the cost of living is increasing, stagnant wages are prevalent, and job loss is a growing phenomenon leaving many families feeling the pinch. Especially the elderly, those 65 years old and older, who are retired and generally living on fixed-incomes and who may have recently seen their pensions or retirement disbursements decrease as a result of all of the above economic conditions crippling the nation.

For many elderly their home is their only asset and many still have first mortgages on their homes, which is a change from the past. “In 2007, 53 percent of homeowners, with a head of household 50 years old or older, had a mortgage. This is an increase from 34 percent two decades ago” (AARP, September 2008, p. 6). According to a policy report from AARP (September 2008), *A First Look at Older American and the Mortgage Crisis*, “Americans age 50 and over hold 41 percent of all first mortgages” (p.2). This means many elderly who are retired are not safe from the foreclosure crisis due to tight finances. In fact, AARP (September 2008) found that “over 684,000 homeowners age 50 and over were delinquent, were in foreclosure or lost their home during the six months ending December 2007” (p.2).

FIGURE 1.1
First Mortgages by Age of Borrower



Source: AARP. (September 2008). *A First Look at Older Americans and the Mortgage Crisis*. Retrieved from web site: http://assets.aarp.org/rgcenter/econ/i9_mortgage.pdf.

For adult workers who are near retirement, 44 years old to 64 years old, the collapse of the financial market has caused many to see their retirement savings diminish, which is causing many to cut back spending, delay retirement, and remain in the workforce to pay down debt and rebuild their retirement funds. According to a recent report released by AARP (October 2008), *Retirement Security or Insecurity? The Experience of Workers Aged 45 and Older*, “65% of workers 45 years old and older say they will delay retirement and work longer if the economy does not improve significantly” (p. i). Additionally, this report found that nearly half of these workers have found it more difficult to pay for basic items such as food, gas, and medicine over the last twelve months (AARP, October 2008, p. ii). This report also found 27 percent of workers 45 years old and older have found it more difficult to pay their mortgage or rent during the last twelve months, demonstrating that this group is also susceptible to the growing foreclosure crisis in the country (AARP, October 2008, p. 1).

Even if a homeowner considered selling their home because they could no longer afford their mortgage, it would be difficult with the recent downturn in the housing market. Due to

increased foreclosures many homes values are stagnant or declining, making it even more difficult for someone to use the equity in their home to obtain cash for retirement and living expenses. However, another possible solution for those who are 62 years old and older may be reverse equity mortgages, which would allow homeowners to remain in their home while receiving cash from the equity in their home. “A reverse equity mortgage is a loan against a homeowner’s home, age 62 or older, that a homeowner does not have to pay back as long as they live in the home. The cash the homeowner receives can be paid to them in a lump sum, as a monthly payment, a line of credit, or in some combination of these methods. The homeowner does not have to pay anything back unless they sell their home, permanently move out, or die” (AARP, 2006, p. 1). Another reason these mortgages are appealing to many elderly, who may not have as much active credit history, is there is no minimum amount of income to qualify and no minimum credit score is required since the homeowner is not making payments, but instead is receiving equity payments.

AARP legislative counsel, David Certner recently stated, “he expects people over 62 to become more interested in reverse equity mortgages as living expenses continue to increase, and seniors on fixed income and no assets other than their home will need to establish cash flow” (Bankrate, 2009, p. 3). This is demonstrated by data from the U.S. Department of Housing and Urban Development (2008) , which shows the volume of Home Equity Conversion Mortgages (HECM), the most common type of reverse equity mortgage, has nearly tripled since 2004, with approximately 107,000 HECMs closed in 2007 (p. xiv).

Community Profile

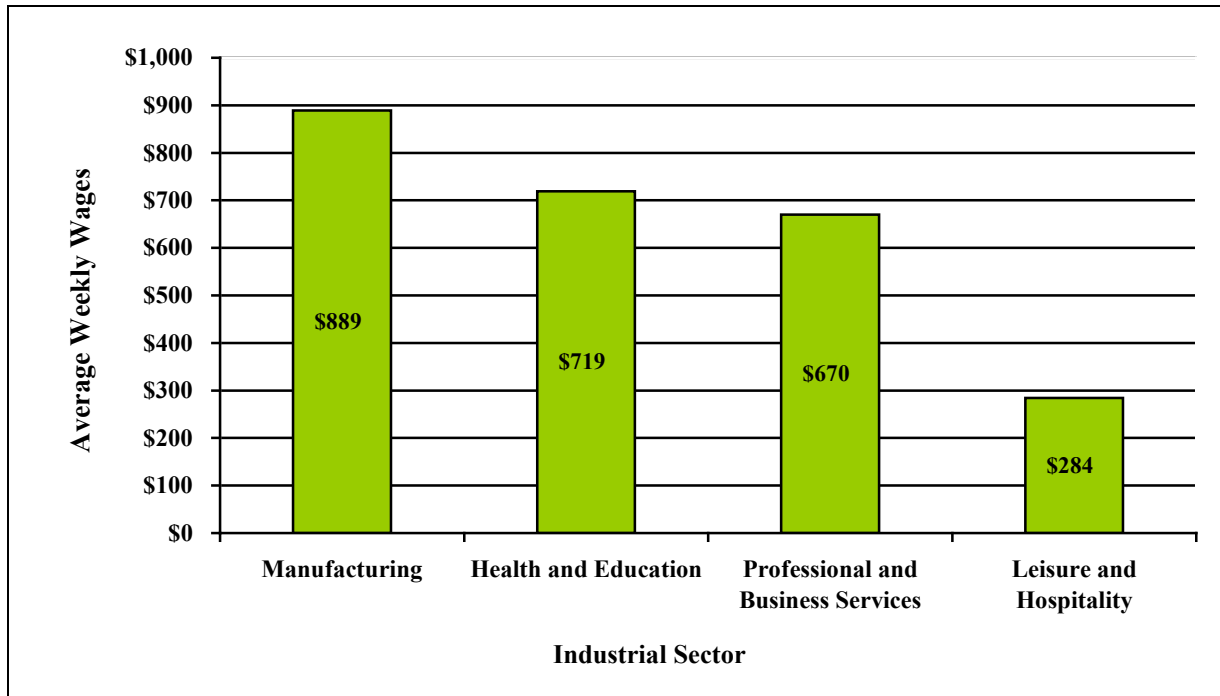
Many of the challenges being faced nationally are also being experienced in Indiana. Indiana has been struggling in particular, with stagnant wages, high rates of unemployment and

underemployment, high rates of poverty, and increasing numbers of mortgage defaults and foreclosures.

During the previous national recession, Indiana was greatly impacted. “Indiana has the highest percentages of workforce participation in the manufacturing sector, 22 percent versus 14.5 percent nationally” (National Association of Realtors, 2004). Also during the last national recession, Indiana began to lose jobs much sooner than the rest of the country. The last recession began in March 2001, but Indiana began losing jobs in May 2000, nearly a year before the national job decline (National Association of Realtors, 2004). However, many working families in Indiana have not yet recovered from the 2001 recession, and now another one is upon us.

Additionally, Indiana has seen a shift in its economic base from manufacturing to a service and knowledge-based economy. Yet, “Indiana still has the largest number of manufacturing jobs in the country, but manufacturing is no longer the leading industrial sector in the state” (Finzel, November 2008, p. 8).

According to the Economic Policy Institute (2008), “U.S. worker productivity is up 20 percent since January 2000. But real earnings for American families have been stagnant, and health care and pension benefits are threatened” (p. 28). The same is true in Indiana. Median wages have been stagnant since 2001. “In 2007, Indiana’s median hourly wage was \$14.85 below the national median hourly wage of \$15.10. Additionally, Indiana’s 2007 median hourly wage was only 45 cents higher than it was in 2000” (Finzel, November 2008, p.17). This will continue to be a problem as Indiana continues to shed high-wage jobs, and in return sees an increase in low-wage jobs. The growing industrial sectors in Indiana pay much lower wages than the manufacturing sector.

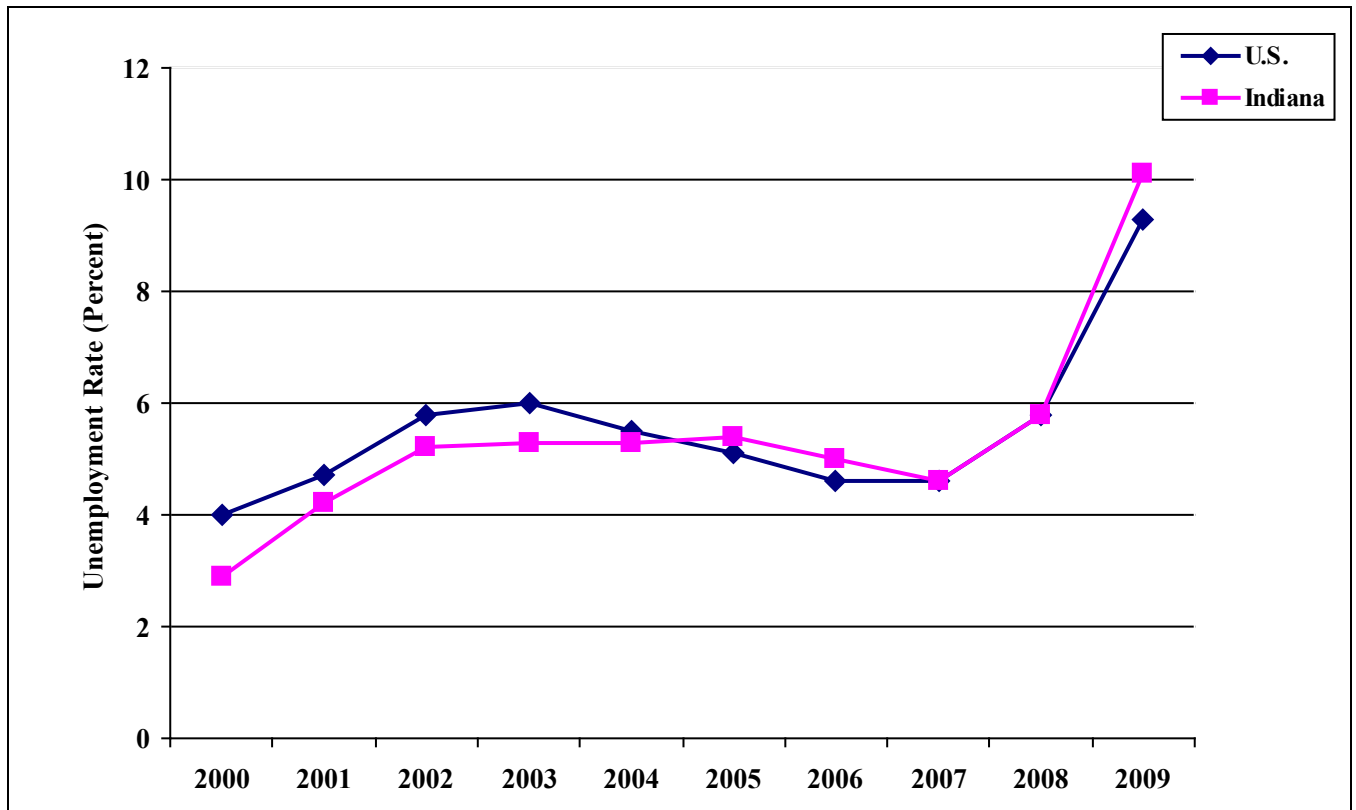
FIGURE 1.2**Average Weekly Wages by Industrial Sector, 2007**

Source: Finzel, Rochelle. (November 2008). *The Status of Working Families in Indiana, 2008 Update*. Indiana Institute for Working Families, A Program of the Indiana Community Action Association: Indianapolis. Retrieved from web site: www.incap.org.

As Indiana has lost jobs, the state has experienced an increase in the numbers of unemployed, underemployed, and number of Hoosiers living in poverty. Since 2005 Indiana's has had a higher unemployment rate than the national unemployment rate. Indiana's unemployment rate has sky-rocketed from 5.8 percent in 2008 to 10.1 percent in 2009, higher than the national unemployment rate of 9.3 percent (STATS Indiana, 2009). This is particularly concerning since it looks like there is no end in sight to the growing numbers of unemployed. "By mid-February 2009, there were about 155,000 individuals receiving weekly UI benefits in Indiana, up about 75,000 insured claims a week from one year ago. New UI claims are running at over 15,000 every week since mid-November 2008, more than doubling from levels in mid-February 2008" (National Employment Law Project, 2009, p. 1).

FIGURE 1.3

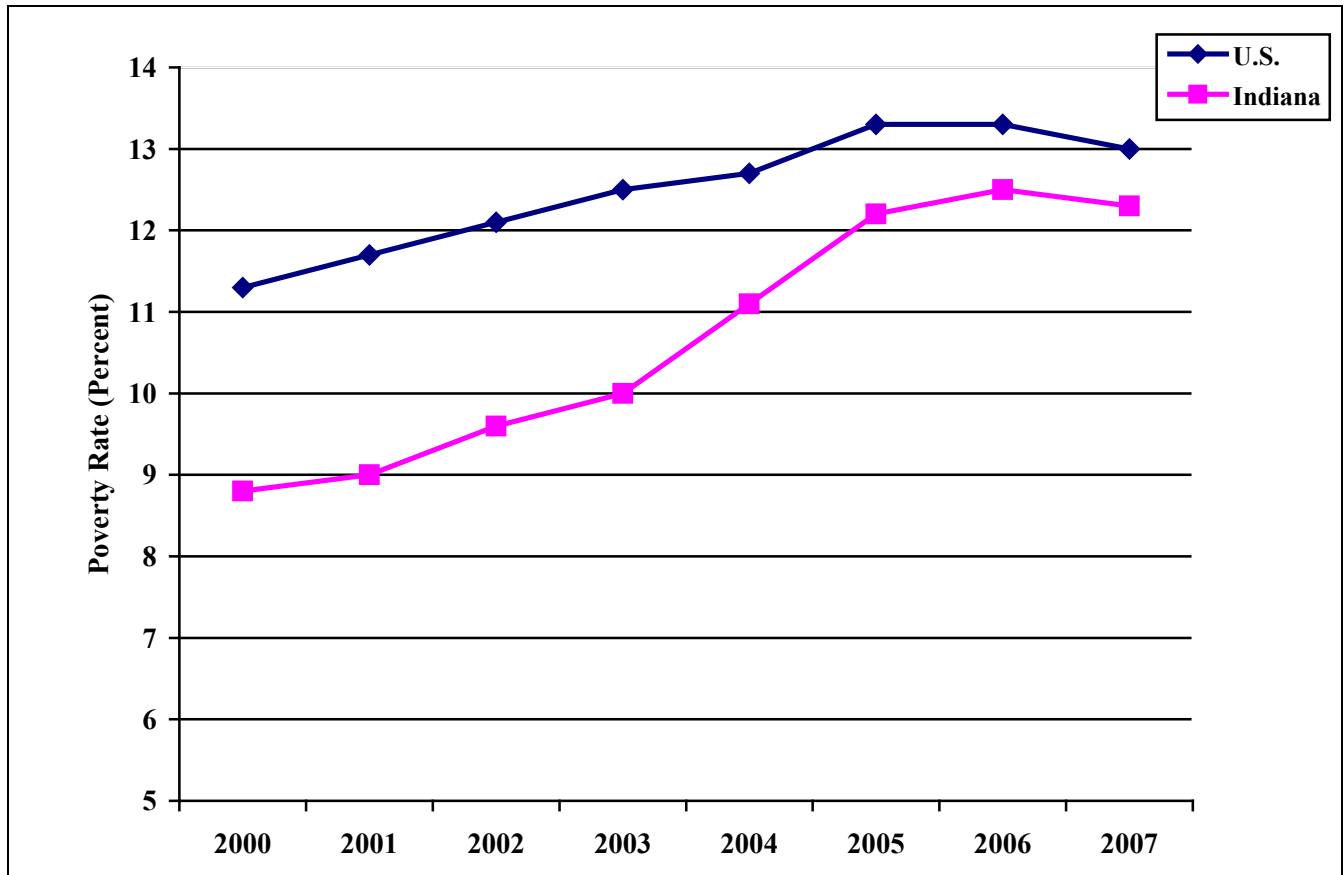
Unemployment Rate, Annual Average, Seasonally Adjusted, U.S. and Indiana, 2000-2009



Source: U.S. Bureau of Labor Statistics. (2009). *Statistics on Unemployment*. Retrieved from STATS Indiana web site: http://www.stats.indiana.edu/laus/laus_view3.html.

Also, Indiana's workforce is struggling with growing numbers of underemployed. Underemployed is a term used for workers who work sporadically or part-time, who would prefer to work full-time. Although "Indiana's underemployment rate at 7.8 percent is lower than the national average of 8.3 percent in 2007, it is more than two percentage points higher than the 2000 under-employment rate of 5.6 percent" (Finzel, 2008, p.14).

Indiana has also experienced a steady increase in its poverty rate over the last few years, reaching a peak of 12.5 percent in 2006, however, the poverty rate slightly decreased in 2007. This mirrors the national poverty rate, which also peaked at 13.3 percent in 2005 and decreased to 13 percent in 2007 (U.S. Census Bureau, 2007).

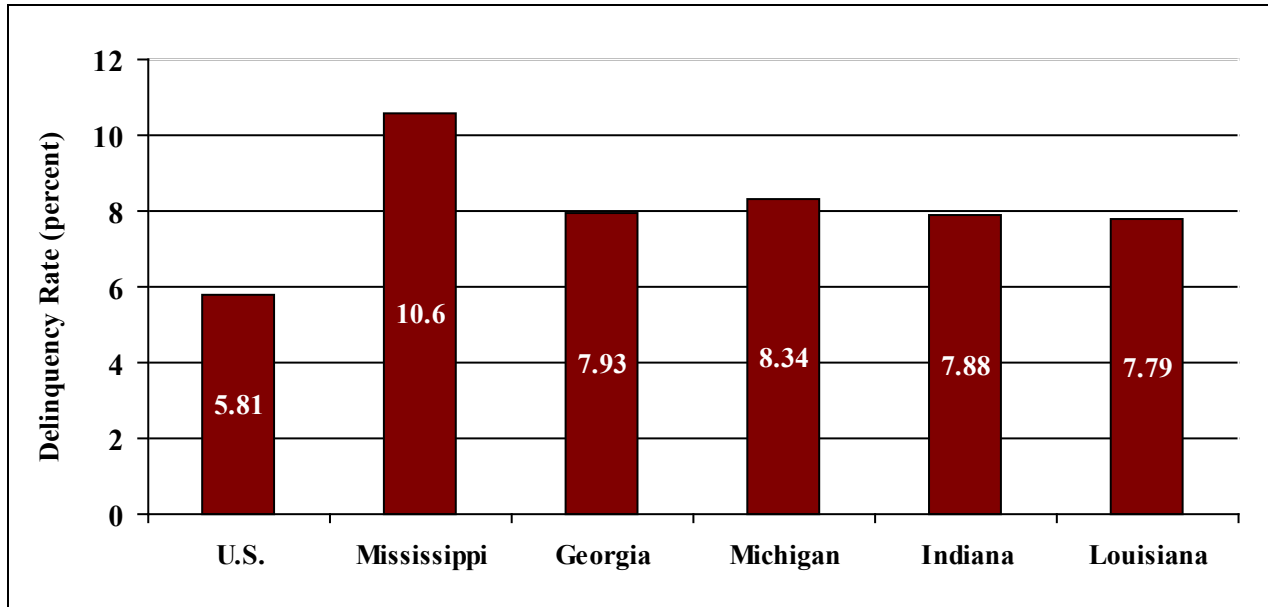
FIGURE 1.4**Poverty Rate, Persons of All Ages, U.S. and Indiana, 2000-2007**

Source: U.S. Census Bureau. (2007). *United States and Indiana Poverty*. Retrieved from the Census web site: http://factfinder.census.gov/servlet/STTable?_bm=y&-state=st&-context=st&-qr_name=ACS_2007_1YR_G00_S1701&-ds_name=ACS_2007_1YR_G00_&-tree_id=307&-_caller=geoselect&-geo_id=01000US&-format=&-_lang=en.

Due to the many economic factors listed above, Indiana has experienced an increase in the number of mortgage delinquencies. “In the third quarter of 2007, the national average for mortgage delinquencies was 5.81 percent. Indiana’s mortgage delinquency rate was 7.88 percent the third quarter of 2007, ranking Indiana with the fourth highest percentage of delinquencies in the country” (USA Today, 2007). By the end of the second quarter of 2008 “the delinquency rate for mortgage loans jumped to 6.41 percent of all loans outstanding, up six basis points from the first quarter of 2008, and up 129 basis points from one year ago on a seasonally adjusted basis” (Mortgage Bankers Association, 2008).

FIGURE 1.5

Mortgage Delinquency Rate, U.S. and Top Five States with Highest Delinquency Rates, Third Quarter, 2007



Source: USA Today. (6 December 2007). *Delinquency and foreclosure rates by state and region*. USA Today (McLean, VA). Retrieved from USA Today web site: http://www.usatoday.com/money/economy/housing/2007-12-06-delinquency-chart_N.htm.

As a result, foreclosures in Indiana have been prevalent and steadily increased since the 2001 national recession. In 2003, Ohio led the nation in the number of foreclosures, Indiana was a close second, and Kentucky ranked in the top five states (Networks Financial Institute, 2007). During the third quarter of 2003, Indiana's foreclosure rate for all loans was 2.57 percent, higher than the U.S. foreclosure rate of 1.12 percent for all loans. "Foreclosure filings were reported for 274,399 U.S. properties in January 2009, a 10 percent decrease from the previous month but still up 18 percent from January 2008" (RealtyTrac, 2009, p.1). The report also shows 1 in every 466 households received a foreclosure filing in January 2009. "In Indiana, 4,556 foreclosure filings were reported in January 2009, ranking Indiana with the 14th highest foreclosure rate in the country" (RealtyTrac, 2009). This is a decrease of 4.61 percent from December 2008 and 17.94 percent in January 2007. However, there were 16,232 foreclosure filings in February 2009 - an increase of 5.9 percent.

Community Needs Assessment

In addition, to all the economic challenges that lay ahead in Indiana, the state is also undergoing some significant changes related to its population. According to the State of Indiana, 2008 Indiana Action Plan, “from 2000 to 2006, the state’s population increased by 3.8 percent, at an average rate of 0.76 percent annually, with counties growing at rates higher than the State during 2005-2006 for the most part being clustered around the State’s largest metropolitan areas” (p. 2-3).

Indiana’s population is also aging. “In 2006, Indiana’s median age was 36.3 years old, with 63 percent of the population being between the ages of 18 to 64 years old, and 12 percent of the population being 65 years old and older (State of Indiana, 2008, p. 5). While the number of Hoosiers 65 years old and older may not seem significant Indiana’s elderly population is growing.

The Indiana Business Resource Center (IBRC) stated that Indiana experienced an increase of 8,000 Hoosiers 65 and older from 2000 to 2005. IBRC also projects “from 2010 to 2015 Indiana will see an increase of 108,000 Hoosiers age 65 and older, and over the next 35 years it is projected that those 65 and older will account for 63 percent of Indiana’s population growth” (IBRC, 2008, p.1). “This means by 2035, adults 65 and older will outnumber the number of children under the age of 15 years old” (IBRC, 2008, p.1).

Amplifying the growth of the elderly population is the fact that Indiana is losing many of its young, single, and college educated residents. From 1995-2000 Indiana saw a negative net migration rate of -142.4 of these educated Hoosiers, higher than the surrounding states. This is devastating as Indiana’s workforce is desperately in need of these workers to support the state’s economy, attract high-wage jobs, and to support the state’s tax revenue base.

TABLE 1.1
Loss of Young, Single, College Educated Residents,
Great Lake States, 1995-2000

State	Net Migration Rate
Illinois	12.4
Indiana	-142.3
Michigan	-86.7
Minnesota	15.5
New York	-11.3
Ohio	-88.2
Pennsylvania	-112.4
Wisconsin	-107.7

Source: U.S. Census Bureau (2003). *Migration of the Young, Single, and College Educated: 1995-2000*. Retrieved from Census web site: <http://www.census.gov/prod/2003pubs/censr-12.pdf>.

However, the most radical change has been the significant increase in minority populations. “From 2000-2006, Caucasians were the slowest growing segment of the population with a growth rate of 2.5 percent. While the Hispanic population saw the greatest increase, from 2000-2006, at 38.7 percent, followed by the: Asian population which grew 37.8 percent; Hawaiian or Pacific Islander population which increased by 22.2 percent; persons who identify themselves as two or more races increased by 25.6 percent; Black or African American population increased 8.7 percent; and American Indian population increased by 17.5 percent” (State of Indiana, 2008, p. 6).

Another area for concern is the decrease in the affordability of housing. Although Indiana has one of the highest homeownership rates in the county at 74 percent, many are paying more in mortgage payments than is deemed affordable. According to the U.S. Department of Housing and Urban Development, affordable housing should cost 30 percent or less of a person’s gross income, otherwise the housing is unaffordable. Yet, “in 2006, 23 percent of homeowners paid more than 30 percent of their gross monthly income in housing” (State of Indiana, 2007, p. 9).

The percentage of homeowners paying more than 30 percent in mortgages decreased by 3 percent it is still significant that approximately one out of four home mortgages is unaffordable.

The data is even more troubling for low-income homeowners. “The percentage of low-income homeowners, who are paying more than 30 percent of gross monthly income on mortgages is as follows: 92 percent of homeowners at or below 30 percent of MHI; 88 percent of homeowners between 31-50 percent MFI; 51 percent of homeowners between 51-80 percent MHI; and 33 percent of homeowners between 81-100 percent of MFI (State of Indiana, 2007, p. 9).

TABLE 1.2
Percent of Homeowners, Cost-Burden by Mortgages,
by Median Family Income, 2007

Percent of Median Household Income	Median Household Income in Dollars	Percent of Homeowners
30 Percent of Below	\$14,226 or less	92%
31-51 Percent	\$14,700 -\$21,125	88%
51-80 Percent	\$21,125-\$37,937	51%
81-100 Percent	\$38,411-\$47,422	33%

Source: State of Indiana. (2007). *2007 Indiana Action Plan* (DUNS No. 80-989-6723). Retrieved November 17, 2008, from the Indiana Housing and Community Development Authority web site: <http://www.in.gov/ihcda/2352.htm>.

An AdvantAge Initiative Community Survey was recently completed in Indiana in 2008, which examined the needs of Hoosiers 60 years old and older. The survey was done by areas and Area 8 included the nine counties (Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, and Shelby) that comprise the Indianapolis MSA.

“Ninety-four percent of the Advantage survey respondents agree they want to remain in their current residence and are confident they will be able to afford to do so. However, of the 94 percent, 41 percent are not very confident that they will be able to do so” (AdvantAge Initiative Community Survey, 2008, p. 2).

TABLE 1.3
Demographic Characteristics of Survey
Sample, Area 8, 2008

Gender	
Male	43%
Female	57%
Age	
60-64 Years Old	24%
65-74 Years Old	42%
75 Years Old and Older	34%
Race	
White, Non-Hispanic	85%
All Other Races	15%
Household Type	
Live Alone	38%
Live With Others	62%
Home	
Own	85%
Rent	14%

Source: AdvantAge Initiative Community Survey

Target Community for the Project

The target community for this project is elderly homeowners, age 62 years old and older, who are currently short on cash flow, delinquent on their mortgage, or in foreclosure, in Indiana. The reverse equity mortgage loan offered by the U.S. Department of Housing and Urban Development requires thirty minutes of housing counseling by a certified HUD housing counselor. Therefore, another target community for this project are state certified pre-purchase housing counselors and foreclosure intervention specialists in Indiana.

II. Problem Analysis

Problem Statement

Homeowners facing foreclosure by definition are short on money and vulnerable. As homeowners, age 62 years old and older, face economic instability due to economic conditions and have an increased need for cash flow, they become more susceptible to losing their homes due to mortgage delinquency, foreclosure, or predatory lending practices and are more likely to be in asset poverty.

According to CFED (2008), “asset poverty is a measure of economic security and mobility based on household net worth. A household is asset poor if it has insufficient net worth to stay above the poverty level for three months if income were to cease, which means they do not have enough resources to provide for basic needs during an economic crisis” (p. 5). The Federal Poverty Guidelines or poverty level for a family of three in 2008 was \$17,600 a year or \$1,467 a month (U.S. Department of Health and Human Services, 2008). According to the *2007-2008 Assets and Opportunity Scorecard* by CFED (2008), nationally 22.4 percent of households were asset poor, in Indiana approximately 19 percent of households were asset poor, ranking Indiana 10th in the country.

For many elderly their home is their only asset, yet, many do not fully own their homes and many still have first mortgages on their homes. “In 2007, 53 percent of homeowners, with a head of household 50 years old or older, had a mortgage, an increase from 34 percent two decades ago” (AARP, September 2008, p. 6). This means many elderly who are retired are not safe from the foreclosure crisis. This is demonstrated by the fact, that “more than 684,000

homeowners age 50 and over were delinquent, were in foreclosure, or lost their homes during the past six months ending December 2007” (AARP, September 2008, p. 2).

The need for cash flow due to declining or limited income and limited assets which can be liquidated is demonstrated by data from the U.S. Department of Housing and Urban Development (HUD), which shows “the volume of Home Equity Conversion Mortgages (HECMs) - HUD’s reverse equity mortgage product - have tripled since 2004 and approximately 107,000 HECMs closed in 2007” (U.S. Department of Housing and Urban Development, 2008, p. xvi).

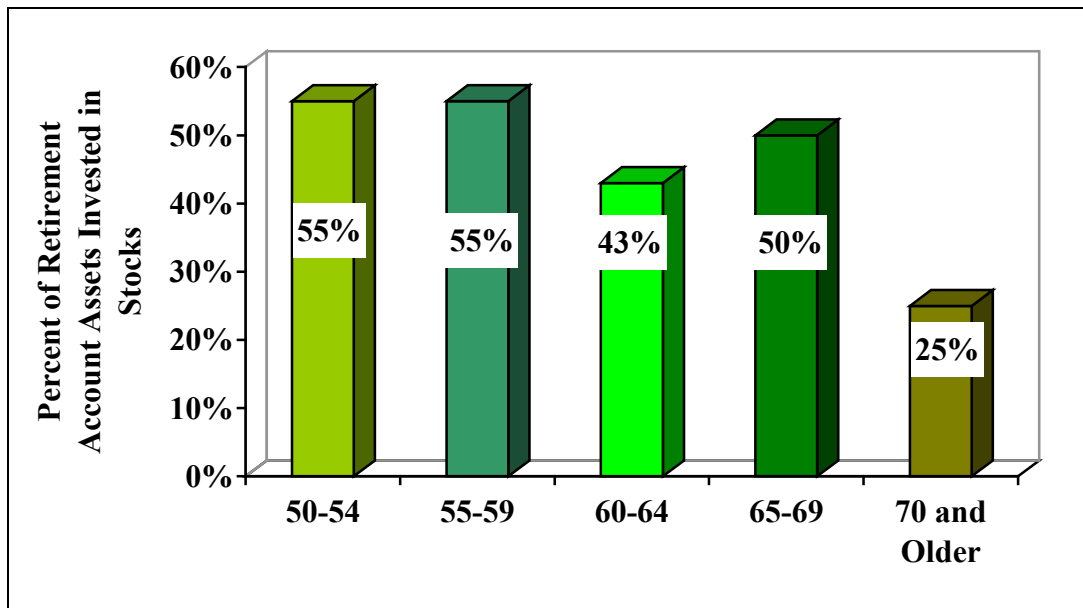
Therefore, reverse equity mortgages can be an effective foreclosure intervention tool for elderly homeowners that will allow them to remain in their homes and that will increase their cash flow.

Causes and Effects of the Problem

There are many causes as to why retired elderly are experiencing declining real income, including decline in value or payments from pensions or retirement accounts, a lack of retirement savings, declining value of assets, or some combination thereof. According to the Urban Institute (2008), “retirement accounts lost about \$1.6 trillion or 18 percent of their value over the past 12 months, and between January 2007 and May 2008, housing prices fell from 4 to 20 percent depending on where seniors live” (p. 1). Although those 70 years old and older have less invested in the stock market than those near retirement, it is still estimated that they have approximately 25 percent of their retirements invested in stocks.

FIGURE 2.1

Median Exposure to Retirement Accounts, Households Age 50 Years Old and Older with Retirement Accounts, by Age Group, 2004



Source: Urban Institute. (October 2008). *How Is the Economic Turmoil Affecting Older Americans?* By Richard W. Johnson, Mauricio Soto, and Sheila R. Zedlewski. Retrieved from Urban Institute web site: http://www.urban.org/UploadedPDF/411765_economic_turmoil.pdf.

Lack of retirement savings may also force more elderly to liquidate assets or to return to the workforce. “Today, the typical household age 50 and older with a retirement account holds a balance of \$89,300, not enough to replace one year’s pre-retirement income, and this is a decrease from \$105,800 in 2007” (Urban Institute, 2008, p. 4). This is also echoed by a report by AARP *Poverty and Aging in America Profiles of Low-Income Older Population* (2008), which examined the prevalence of poverty among elderly, and found that the poverty rate of those 65 years and older would increase from 9.4 percent to 44.9 percent in 2006 without Social Security (p. 3). However, this report also found that:

- “Families 50 years and older in poverty and those at risk of poverty have insignificant liquid assets;
- Total median financial assets of older families in poverty are less than \$1,000; and

- The median net worth of families 50 years and older in poverty is \$10,000” (AARP, July 2008, p. 5).

Declining retirement income may require elderly who are retired to consider getting jobs to make ends meet. The Urban Institute (2008) found that the share of older adults working or looking for work is rising, “between August 1998 and August 2008, the labor force participation rate at age 65 to 69 increased from 26.4 to 36.5 percent for men and from 17.1 to 26.4 percent for women” (p.8). This trend is likely to continue as the economic conditions remain tumultuous.

The lack of assets and need for more income demonstrates the mass amount of asset poverty being experienced by the elderly. This may also be the result of this population carrying larger debt loads than previous generations. As demonstrated by the fact that many elderly have mortgage payments and do not fully own their homes. According the Urban Institute (2008), “only 77 percent of adults age 55 and older owned a home and 41 percent owned a home with no debt” (p. 5).

Historically, elderly who retire have not used home equity to finance living expenses in retirement, but recent declines in retirement accounts and lack of personal savings may force more elderly to do so. However, for those who may decide to utilize their homes equity as part of their retirement to address the shortcomings of their personal and retirement savings, may find it difficult as a result of the drop in housing prices being seen across the country. This may cause more homeowners to default because it may be more difficult to sell their homes or refinance.

Living on a fixed-income makes it difficult to carry debt and may make it harder for elderly who still have mortgages to pay their mortgage payments and may cause them to become delinquent on their mortgage payments or to lose their homes to foreclosure. AARP (September 2008) found that “homeowners 50 years old and older represent 28 percent of all mortgage

delinquencies and foreclosures. Additionally, the foreclosure rate doubles for those 50 years old and older, who have previously utilized their home equity, and have a loan-to-value ratio that exceeds 100 percent” (AARP, September 2008, p.2).

TABLE 2.1

Foreclosure Rates by Age, 2007

Age	Foreclosure Rate
Age < 50	0.50%
Age 50-51	0.26%
Age 62-69	0.21%
Age 70+	0.20%
Total Age 50+	0.24%
Total Age 62+	0.20%
United States Average	0.39%

Source: AARP. (September 2008). *A First Look at Older Americans and the Mortgage Crisis*. Retrieved from web site: http://assets.aarp.org/rgcenter/econ/i9_mortgage.pdf.

If retired elderly lose their homes to foreclosure it not only puts the homeowner at risk but also the community. Displaced elderly homeowners will need housing and who may not be able to afford rental or nursing home care will leave them relying on family or possibly homeless shelters for housing. Additionally, losing a long-term resident has a significant impact on the community as foreclosures reduce property values, the number of abandoned properties will increase, which may lead to an increase in crime and other related problems. Furthermore, the loss of property tax revenues may result in community services or resources being cut.

Therefore, the utilization of reverse equity mortgages not only increases cash flow for elderly who are retired and need more income, but will allow elderly to pay their debts, to stay in their homes, and helps to preserve local housing markets and communities.

Stakeholders

Those who would have a stake in the project include the:

- Elderly Homeowners;

- Housing counseling agencies;
- Housing counselors;
- Indiana Housing and Community Development Authority (who funds and oversees the training system for state certified housing counselors and foreclosure intervention specialists); and
- Community Development Corporations and community developers.

Any successful strategy to reach elderly homeowners in Indiana requires engaging the Indiana Community Housing Authority who accredits trainings for state housing counselors and housing counselors to learn the training curriculum. If either of these stakeholders chose not to participate in this project it may be difficult to get information to elderly homeowners to help them avoid foreclosure through the utilization of reverse equity mortgages.

“CEDness” of the Project

Reverse equity mortgages as a foreclosure intervention tool address elderly persons as a community as well as their economic security by providing income and allowing them to remain in their homes. Reverse equity mortgages as a foreclosure intervention tool also addresses development by providing housing preservation and community stabilization as these communities would otherwise be subject to an increased number of foreclosures and abandoned properties, and loss property tax revenues from these properties, which fund community services.

To achieve these desired results the project will focus on the long-term outcome of decreasing asset poverty experienced by elderly homeowners, age 62 years old and older in Indiana by 5 percent over the next 3 years. To decrease asset poverty the intermediate outcomes of the project are to increase real income of elderly homeowners, by increasing personal and/or retirement savings of elderly homeowners, while at the same time allowing elderly homeowners

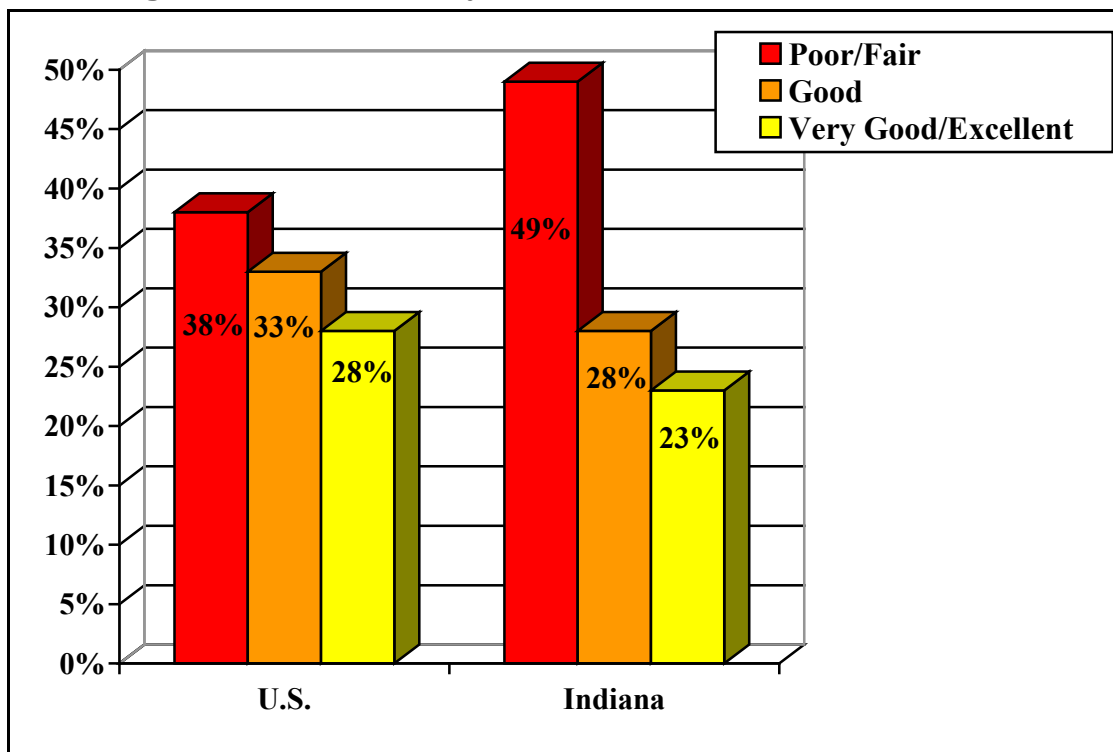
to remain in their home. The initial phase of this project will focus on the short-term outcomes of completing a training curriculum to train housing counselors about reverse equity mortgages and how they can be used as a foreclosure intervention tool. Housing counselors can then use this information when working with elderly homeowners to increase awareness of reverse equity mortgages as well as financial literacy competence of elderly homeowners.

III. Literature Review

Personal economic issues such as debt, foreclosures, and increase in bankruptcy can be related to unemployment or lack of health care but are often traced back to lack of financial literacy. According to a national survey conducted by the Networks for Financial Institute at Indiana University (2007), approximately two thirds (61%) of adults in the United States understood financial literacy concepts including managing, spending, and saving money wisely. In Indiana, only half of survey respondents felt they understood financial literacy concepts. Additionally, the survey found that “the financial areas U.S. adults feel they need the most help in are investing, retirement planning, and taxes” (Networks for Financial Institute, 2007, p. 3).

FIGURE 3.1

Knowledge of Financial Literacy, U.S. and Indiana, 2007



Source: Networks Financial Institute. (2007). *What is the Foreclosure Rate so High in Indiana?* Retrieved Networks Financial Institute at Indiana State University web site www.networksfinancialinstitute.org.

Although many adults in the U.S. and Indiana felt it was important to increase their own personal financial education and knowledge in order to save and prepare for the future, feel more confident and informed, feel financially secure and independent, and make wiser choices, many felt there were many barriers to gaining such knowledge.

TABLE 3.1

Barriers to Financial Education, U.S. and Indiana, 2007

Barriers	U.S.	Indiana
Lack of Funds	43%	59%
Lack of Need	29%	27%
Lack of Time	29%	23%
Anticipated Cost	22%	23%
Lack of Access	10%	8%
Uncomfortable with Financial Literacy	6%	12%
Lack of Materials	7%	3%
Other	3%	1%
None of the Above	11%	8%

Source: Networks Financial Institute. (2007). *What is the Foreclosure Rate so High in Indiana?* Retrieved Networks Financial Institute at Indiana State University web site www.networksfinancialinstitute.org.

This survey shows that there is lack of understanding about financial literacy, which is of growing concern as many of the products being designed to meet the needs of those who are retired or near-retirement are very complicated and require a greater level of financial sophistication and understanding. In particular, reverse equity mortgages. A reverse equity mortgage is a loan against a homeowner's home, for those age 62 or older, that does not have to be paid back as long as the homeowners lives in the home. "The cash the homeowner receives can be paid to them in a lump sum, as a monthly payment, a line of credit, or in some combination of these methods. The homeowner does not have to pay anything back unless they sell their home, permanently move out, or die" (AARP, 2006, p. 1). Therefore, the homeowner's equity decreases and debt increases, unless the home's value grows at a higher rate.

However, the fees and payment options associated with reverse mortgages are very complicated. The financing fees are similar to those you would pay on a mortgage and can be financed through the reverse equity mortgage to reduce out-of-pocket costs, but it reduces the amount of equity available to the homeowner.

Additionally, reverse equity mortgages require that they be the “first” mortgage or lien on the property, therefore, homeowners would receive an initial lump sum payment from their reverse equity mortgage to pay off their mortgage or any other debts against their home.

Although reverse equity mortgages can be used to assist elderly homeowners avoid foreclosure and do not require repayment until the borrower dies, sells the home, or permanently moves out of the home. “Reverse equity mortgage lenders can require repayment at any time if the homeowners: fails to pay their property taxes; fails to maintain and repair their home; or fail to keep the home insured” (AARP, 2006 p. 5). A “reverse equity will also become due if the homeowner meets default conditions including: declaration of bankruptcy; donation or abandonment of the home; perpetration of fraud or misrepresentation; or eminent domain or condemnation proceedings involving the home” (AARP, 2006, p. 5).

These mortgages often include acceleration clauses that make the loan due and payable sooner, as they affect the security of the loan for the lender. “Some examples include: renting out part of your home; adding a new owner to the home’s title; changing the home’s zoning classification; or taking out new debt against the home” (AARP, 2006, p. 6). These conditions vary from lender to lender and therefore homeowners must review and fully understand the terms and conditions of the loan.

“Reverse equity mortgage costs are combined into a single annual average rate known as the TALC (Total Annual Loan Cost)” (AARP, 2006, p. 6). “TALC disclosures can be used to compare one type of reverse equity mortgage to another and are often higher when the homeowner is in the home only a few years after closing, as start-up costs for these mortgages are a large part of the total loan amount in the early years of the loan” (AARP, 2006, p. 7). The TALC rate declines as the loan balance grows, and if the loan’s balance catches up to the home’s value, the homeowners debt is limited by the value of the home.

The most common type of reverse equity mortgage is the U.S. Department of Housing and Urban Development’s Home Equity Conversion Mortgage (HECM). These loans are insured by the Federal Housing Authority (FHA). “HECM lenders base the amount homeowners can be lent based on their age and home value. HECM limits the amount of loan costs that can be charged and FHA guarantees that the lenders meet their obligations” (AARP, 2006, p. 8).

Other types of reverse equity mortgages, which are often less utilized include: deferred payment loans; property tax deferral; other public loans; and proprietary reverse mortgages (owned and backed by the private companies), often the most expensive type of reverse equity mortgage. However, as demand increases for reverse equity mortgages the demand for other options may also increase over time. This is a concern as HUD’s HECMs are the only regulated reverse equity mortgage product.

Loan costs can vary greatly from one type of reverse mortgage product to another. Not all reverse mortgages include the same types of loan costs. The types of fees and rates associated with reverse equity mortgages include origination fees, third-party closing costs, mortgage insurance premium, servicing fees, interest rates, and TALC rates. This makes these loans vary in cost and difficult to understand and compare and that is why the Truth-in-Lending law

requires lender to disclose the TALC for these loans.

Therefore it takes extensive research and financial education for elderly homeowners to fully understand these loans and the other alternatives that may be available to them. Yet, the only reverse equity mortgage product that requires a borrower to receive 30 minutes of financial education is HUD's HECMs.

Housing counseling has proven to be an effective mechanism for providing financial literacy to renters, homebuyers, and homeowners alike. According to HUD, approximately 1.7 million individuals and families received financial and housing counseling services from 1,800 non-profit organizations in 2007 (U.S. Department of Housing and Urban Development, 2008).

One-on-one counseling is often utilized to provide counseling to clients on specific issues related to their need whether it is reviewing a purchase agreement for a home or working on credit issues. "In 1994, 244,000 individuals received one-on-one counseling from HUD-approved counseling agencies. By 2007, 1.2 million individuals had received one-on-one counseling with an additional 500,000 individuals receiving housing education through group sessions" (U.S. Department of Housing and Urban Development, 2008, p. ix).

Research shows that the cost to educate clients is minimal with "about half of all HUD-approved agencies having an average cost per client of approximately \$200 or less and another third having costs between \$200-\$500. The median cost to provide housing counseling services is \$225 per client" (U.S. Department of Housing and Urban Development, 2008, p. xii).

HUD has examined the challenges facing the housing counseling industry with the biggest challenge being building the capacity to deliver effective foreclosure mitigation and HECM counseling. All HECMs require borrowers to receive housing counseling before closing the loan. So as the demand for these loans has grown so has the demand for counseling. Since

2004, the volume of HECMs has tripled (U.S. Department of Housing and Urban Development, 2008, p. xiv).

To meet the increased demand HUD now allows counselors to provide HECM counseling over the phone rather than face-to-face. However, face-to-face contact facilitates better communication between the counselor and client which is of great importance as reverse equity mortgages are often complex. “Despite this fact, HECM clients receive only 3 hours of counseling including workshops and case management, compared to 8 hours of workshops and case management for pre-purchase clients” (U.S. Department of Housing and Urban Development, 2008, p. xiii). Despite this short period of time for counseling, outcomes for clients seeking counseling for HECMs has been proven successful in assisting homeowners in addressing their needs (See Table 3.2).

TABLE 3.2

Barriers Outcomes for Clients Seeking Help Converting Home Equity into Cash or Seeking Better Mortgage Terms, 2007

Outcome	Number of Clients	Percent of Client
<u>Fully or partially resolved issue:</u>		
Obtained HECM	64,735	32%
Obtained non-FHA Reverse Mortgage	585	0%
Received Home Equity, Home Improvement, or Other Home Repair Assistance	6,231	3%
Received Consumer Loan (unsecured)	250	0%
Counseled on HECM; Decided not to Obtain Mortgage	6,027	3%
Mortgage Refinanced	3,533	2%
Sold House or Chose Alternative Housing Solution	729	0%
Completed Financial Management or Budget Counseling	18,531	9%
Completed Home Maintenance Counseling	3,491	2%
Counseled and Utilities Brought Current	5,417	3%
Total	109,529	54%
<u>Counseled and referred to another agency:</u>		
Counseled and Referred to Another Social Service Agency	4,762	2%
Counseled and Referred for Legal Assistance	3,739	2%
Total	8,501	4%

Currently Receiving Counseling	23,442	12%
Withdrew from Counseling	2,435	1%
Other	58,888	29%
TOTAL CLIENTS SEEKING HELP	202,795	100%

Source: U.S. Department of Housing and Urban Development, Office of Policy Development & Research. (2008). *The State of the Housing Counseling Industry*. Retrieved September 30, 2008 from the HUD User web site: http://www.huduser.org/publications/affhsg/hsg_counseling.html.

IV. Project Design

The project focuses on raising elderly homeowners' awareness about reverse equity mortgages through housing counseling. As the literature review demonstrates that many U.S. adults feel they need financial education in the areas of investing, retirement planning, and taxes and that housing counseling is an effective mechanism for providing such financial education. Additionally, housing counseling is a cost-effective delivery method with the median cost to provide housing counseling service being \$225 per client (U.S. Department of Housing and Urban Development, 2008).

Therefore this project plans to raise elderly homeowners' awareness of reverse equity mortgages by providing training on reverse equity mortgages and how they can be used as a foreclosure intervention tool to state certified housing counselors and foreclosure intervention specialists in Indiana. This was a logical first step in reaching the project's short-term and intermediate goals as homeowners considering reverse equity mortgages or facing foreclosures are referred to housing counseling agencies. By providing training to housing counselors they are better equipped to educate homeowners about reverse equity mortgages and to offer them as a foreclosure intervention option to elderly homeowners facing foreclosure.

The short-term outcomes that will be achieved during the initial stages (first two years) of the project are to complete a training curriculum for housing counselors on reverse equity mortgages, so housing counselors will have new tools and training materials to use with housing counseling clients, and elderly homeowners will have increased financial literacy competency and skills.

To obtain these short-term outcomes, a training curriculum for housing counselors will be developed, two trainings for housing counselors will be held, and housing counselors will utilize tools and information from the training with 150 elderly homeowners.

Based on the structure of the housing counseling training system in Indiana the Indiana Housing and Community Development Authority (IHCDA) will be part of the curriculum development process as they accredit housing counseling trainings for state certified housing counselors and foreclosure intervention specialists. IHCDA also manages the Indiana Foreclosure Prevention Network (a coalition of community service and housing-related organizations, government agencies, lenders, realtors, and trade associations that are actively addressing Indiana's foreclosure crisis through a variety of methods) for the State of Indiana. IHCDA may approve this training for Continuing Education Units for state certified housing counselors, will assist with advertising the training, may sponsor the training, and/or participate as they deem appropriate. However, IHCDA's support will be crucial to the success of this project and reaching the state's network of housing counselors and housing counseling agencies.

The other agency key to the success of the project is the Indiana Community Action Association (IN-CAA). The project lead is employed there and will need to get time off from work or support from this agency to allow this project to happen when most convenient for housing counselors which is during business hours (Monday-Friday, 9 am – 5 pm). Additionally, if grant monies are secured for the project a fiscal agent will be needed, and IN-CAA may fill this role. IN-CAA's members are comprised of the state's 24 Community Action Agencies (CAAs), which are also key to the project's success as they comprise approximately one-third of the state's pre-purchase housing counseling agencies and Indiana Foreclosure Prevention Network agencies. Therefore, their participation in the training will be vital in getting this information to elderly homeowners.

Logic Model

Long-term outcome	Decrease asset poverty experienced by elderly homeowners, age 62 years old and older in Indiana by 5 % over the next 3 years.		
Intermediate outcome	Increased real income of retired elderly homeowners.		
Intermediate outcome	Elderly homeowners are able to remain in their homes.		
Intermediate outcome	Increased personal and/or retirement savings by retired elderly homeowners.		
Short-term outcome	Increased awareness of reverse equity mortgages by elderly homeowners and housing counselors.		
Short-term outcomes	Complete training curriculum that can be used in the train-the-train training with housing counselors.	Housing counselors have new information from training and tools to use with elderly homeowners.	Increased financial literacy competency of elderly homeowners.
Outputs	Draft of curriculum is reviewed and finalized by panel of stakeholders and partners.	Conduct at least two training workshops where state housing counselors can be trained on the counseling curriculum related to reverse equity mortgages. A minimum of 25 counselors will be trained.	Have trained housing counselors use curriculum information and tools with clients, with a minimum of 150 elderly retired clients served.
Activities	Create a new training curriculum for one-on-one and group counseling on reverse equity mortgages and how they can be used as a foreclosure intervention tool.	Conduct trainer-the-trainer training on curriculum with state certified housing counselors.	Implementation of training curriculum with elderly homeowners.

Inputs	Staff Time Computer Training Materials (binders, folders, informational materials, pens, etc.) Stakeholder Input and Meetings	Staff time Partners Computer Training Materials (binders, folders, informational materials, pens, etc.) Educational Materials Trainer Facility Stakeholder Input and Meetings	Trained Housing Counselors Training and Educational Materials Technical Assistance and Support Staff Time
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V. Methodology and Implementation Plan

Project Participants/Beneficiaries

The project output is to train a total of 25 housing counselors at the two trainings. Information about the training and how to register for the training will be distributed to housing counselors via email and web site postings.

After the training, 150 elderly homeowners will learn about reverse equity mortgages and increase their financial literacy and competency via HUD housing counseling referrals, Indiana Foreclosure Prevention Network referrals, and housing counseling agencies' information distribution and advertisements.

Community Role

The stakeholders in this project are:

- Elderly homeowners;
- Housing counseling agencies;
- Housing counselors;
- IHCD; and
- Community Development Corporations (CDC) and community developers.

Elderly homeowners will participate in the project once housing counselors are trained and can share the new information and tools with these homeowners.

The training will be advertised to housing counseling agencies to recruit housing counselors to participate in the training. If housing counselors participate in the training housing counseling agencies will be better equipped to serve elderly homeowners.

Housing counselors will attend the training and implement information and tools provided at the training with housing counseling clients.

IHCDA will approve the training curriculum, advertise the training to state certified housing counselors and foreclosure intervention specialists, and will accredit this training and provide Continuing Education Credits to housing counselors who attend.

It is vital for all of the stakeholders above to engage in this project in order to reach the outputs, short-term outcomes, and intermediate outcomes as outlined in the logic model.

CDCs and community developers will benefit from the project indirectly because if homeowners are able to remain in their homes through the use of reverse equity mortgages it will reduce the number of foreclosures and vacant housing in these communities making it more appealing to pursue development projects.

Host Organization

IN-CAA is the host organization for the project. IN-CAA is a statewide not-for-profit membership corporation, incorporated in the State of Indiana in 1970. IN-CAA's members are comprised of Indiana's 24 Community Action Agencies (CAAs), which serve all of Indiana's 92 counties. IN-CAA envisions a state with limited or no poverty, where its residents have decent, safe, and sanitary living conditions, and where resources are available to help low income individuals attain self-sufficiency. IN-CAA serves as an advocate and facilitator of policy, planning and programs to create solutions and share responsibility as leaders in the War Against Poverty. Therefore, it is IN-CAA's mission is to help the state's Community Action Agencies address the conditions of poverty through: training and technical assistance; developing models for service delivery; and providing resources to help increase Network capacity. The functions of IN-CAA include dissemination of information throughout the Indiana Community Action Network, the delivery of services in areas where local operators have not been available, the

development of training programs that are seen as viable, implementation of practices that are best delivered by a central agency, and other functions that are agreed upon by the Board of Directors.

IN-CAA is a good host for the project because the organization has a good relationship with IHCD, is capable of being a fiscal agent, has adequate training space and resources, and is the agency where the project lead is employed.

IN-CAA will advertise the training via email, agency newsletter, and on its web site. Additionally, IN-CAA will allow the project lead to use their electronic training registration software, the copier to and agency computer to produce training materials, and will provide the facility costs (room rental fee and coffee service) related to the training in-kind.

Project Staffing

The project is staffed by the project lead, Lisa Travis, Program Manager with IN-CAA, IN-CAA administrative and fiscal staff. The project lead is responsible for developing the training curriculum, securing the funding for the project, marketing the training, and training on the training curriculum. Administrative staff will assist with copying training materials, assembling training binders, assisting housing counselors with registration, and facility maintenance during the training. Fiscal staff will accept payments for the trainings, manage the grant, and pay bills related to the training and project.

Project Implementation

The timeline for this project is outlined in the Gantt Chart. The project lead is responsible for the implementation of this project. The project aims to complete a training curriculum on reverse equity mortgages as a foreclosure intervention tool. However, after more research had been completed there was a need to develop two training curriculums for housing counselors.

This change occurred before the project was implemented. One curriculum developed was based on the pre-purchase homebuyer class model and was focused on teaching elderly homeowners and their families the basics of reverse equity mortgages in a classroom format. The second training curriculum was developed for housing counselors and focused more one-on-one techniques with clients and screening foreclosure clients for reverse equity mortgages to evaluate whether it may be viable option for elderly homeowners to avoid foreclosure. The agenda from the two-day training for housing counselors which outlines the content of these curriculums is included in *Appendix A*.

Start Date: 10/1/08 End Date: 12/31/09	GANTT CHART															
Activities	M 1 Oct. 08	M 2 Nov. 08	M 3 Dec. 08	M 4 Jan. 09	M 5 Feb. 09	M 6 Mar. 09	M 7 Apr. 09	M 8 May 09	M 9 June 09	M 10 July 09	M 11 Aug. 09	M 12 Sept. 09	M 13 Oct. 09	M 14 Nov. 09	M 15 Dec. 09	Outputs
Create a new training curriculum for one-on-one and group counseling on reverse equity mortgages and how they can be used as a foreclosure intervention tool.																Draft of curriculum is reviewed and finalized by panel of stakeholders and partners.
Conduct trainer-the-trainer training on curriculum with state certified housing counselors.																Conduct at least two training workshops. A minimum of 25 counselors will be trained.
Implementation of training curriculum with elderly homeowners.																Have trained housing counselors use curriculum with clients, with a minimum of 150 elderly

Budget

The total estimated budget for this project is \$4,633.82. Line items for this budget include: staff time to develop the training curriculum (\$2,139.76); supplies for the training which includes binders, printing, and paper (\$310.55); staff time to prepare for the training and conduct training (\$1,238.51); facility costs including room rental and coffee service (\$350); and lunches for training participants for two days (\$595).

A registration fee of \$20 per training participant will be charged to help cover facility and meal costs. The project lead provided time in developing the curriculum in-kind and IN-CAA provided the facility costs in-kind.

The project lead wrote a grant to the Indiana Attorney General's office to cover the project's costs. The grant was awarded and IN-CAA served as the fiscal agent. The grant was a reimbursable grant and the project came in slightly over budget at \$5,056.07. The \$422.25 in cost over runs was due to additional staff time needed to train on the curriculums, printing costs, and cost of supplies.

VI. Monitoring

Since the project lead was the main staff for the project there were no monitoring teams. However, the project lead did use the Gantt Chart indicators in a monitoring report to measure progress. A copy of the final monitoring report is listed below. Monitoring was done on a monthly basis from September 2009 through December 2009.

Monitoring Report for December 6, 2009 - December 26, 2009

ACTIVITIES	DATES	STATUS	TIMELINESS	EXPLANATION FOR DELAY	ALTERNATIVE ACTION	ATTAINMENT OF OUTPUT
Create training curriculum on reverse equity mortgages as a foreclosure intervention tool for foreclosure counselors	Start: Jan. 09 End: Aug. 09	Completed				Target: Curriculum developed and finalized To date: Completed on December 16, 2009
Conduct training on reverse equity mortgages with foreclosure counselors	Start: Sept. 09 End: Nov. 09	Completed				Target: Training will be conducted and I am aiming for a minimum of 35 counselors to be trained. To date: Training was held on December 17-18, 2009 35 people registered for the training 24 people attended the training.

ACTIVITIES	DATES	STATUS	TIMELINESS	EXPLANATION FOR DELAY	ALTERNATIVE ACTION	ATTAINMENT OF OUTPUT
Implementation of training curriculum by foreclosure counselors	Start: Sept. 09 End: Nov. 09	Partially completed	Delayed	Postponed due to delays with training curriculum and trainings not taking place until Dec. 17-18, 2009	Adjust timeline, may also have adjust number of clients implemented with due to delay in other project areas.	Target: Implement training curriculum with 150 clients To date: 0 New target: 75 clients (either HECM class curriculum or one-on-one curriculum using HECM as foreclosure intervention tool) by March 10, 2009.
Analyze client data to see if training curriculum was effective foreclosure intervention tool and effective in reducing asset poverty	Start: March 09 End: April 09	Not started	Delayed	Not yet time to work on this work activity	May not be able to analyze whether project has impact on poverty data by graduation, but plan to do so in the future as stated in my sustainability plan.	Target: Complete analysis on client data To date: Not completed New target: N/A

VII. Evaluation

Housing Survey

To evaluate whether the research was reflective of the needs of Indiana's homeowners a housing survey was administered. The survey also informed the project and approach by gauging homeowners' knowledge on reverse equity mortgages and whether they would be willing to be assisted by a housing counseling agency. The survey was ten questions in length and all the questions were closed-ended (multiple choice answers). A copy of the survey is in *Appendix B*.

The survey was administered by Community Action Agencies (CAAs), who were also housing counseling agencies. The survey was customizable as CAAs could add their agency logo so clients knew it came from a reputable source. The survey also disclosed that the purpose of the survey was to assess community needs. The housing survey was distributed in October 2009.

Twelve surveys were returned. Of the surveys returned 50 percent were from urban areas and 50 percent were from rural areas. Eighty percent of those surveyed had concerns about having enough income to meet all of their financial needs and expenses. One hundred percent of homeowners surveyed still had mortgages on their homes. Eighty percent of homeowners surveyed found it difficult to pay their mortgage and 50 percent of homeowners surveyed were concerned about losing their home to foreclosure. Fifty percent of clients surveyed were willing to meet with a housing counselor to explore options to make their mortgage more affordable and help them keep their home; however, 30 percent were unsure whether they would be willing to meet with a housing counselor. Forty-two percent of those surveyed had heard about reverse equity mortgages. Only 16 percent were interested and 25 percent of homeowners who participated in the survey were old enough to qualify for a reverse equity mortgage (62 years old and older).

Training Evaluation

A training evaluation was developed based on the U.S. Department of Housing and Urban a scale of one to five with one being the worst and five being the best (1 = Poor 2 = Fair 3 = Adequate 4 = Good 5 = Excellent). The evaluation was distributed to training participants at the conclusion of the training on day two.

Follow-Up Survey with Training Participants

To evaluate whether the training information was being utilized with elderly homeowners a follow-up survey was sent to training participants. The survey was sent in an electronic format using the program Survey Monkey. The survey was sent to training participants two months after the training in February 2010.

VIII. Sustainability

Sustainability Elements

The Indiana Housing and Development Authority (IHCDA) is a quasi-governmental agency. IHCDA accredits and financially supports housing counseling training for state certified housing counselors and foreclosure intervention specialists in Indiana participated with the project and has mentioned they may have the project lead do the training again in the future. IHCDA also manages the Indiana Foreclosure Prevention Network and the client database. If this becomes a proven foreclosure intervention tool, the State can use this client data to advocate for policy changes or additional funding to educate homeowners about reverse equity mortgages across the state.

The Indiana Attorney General's office was the sponsor of this training and presented at the training. The Indiana Attorney General's office has been working with other Attorney General's Offices across the country to get all reverse equity mortgages regulated to avoid these products becoming predatory as demand for reverse equity mortgages increases in Indiana. The Attorney General's office can use the training information provided to assist with these efforts as well as to educate elderly homeowners who contact their office about reverse equity mortgages.

Sustainability Plan

The project lead will continue to work with both IHCDA and the Attorney General's Office as needed to continue to get this information to both housing counselors and elderly homeowners. Since training for housing counselors is financially supported by the State there is no need to secure additional funds at this time. Additionally, the project lead will provide training on this topic or other related topics to Community Action Agencies as requested.

IX. Conclusions and Recommendations

Results

The short-term outcomes of this project were to:

- Increase awareness of reverse equity mortgages by elderly homeowners and housing counselors;
- Complete training curriculum on reverse equity mortgages for housing counselors;
- Housing counselors have new information from training and tools to use with elderly homeowners;
- Increased financial literacy competency of elderly homeowners.

To date all of these short-term outcomes have been achieved. Two training curriculums were completed and a two day training was held for housing counselors on the training curriculums on December 17-18, 2009. Thirty-four people registered for the training; however, only 26 people attended the training. Of those who attended the training 23 were housing counselors.

The training evaluation results also support that training curriculum achieved the goal of providing housing counselors with new information and tools. Twenty-six evaluations were distributed and twenty were returned. On a five point scale with five being an excellent rating: the trainer was ranked 4.5, the training materials were ranked 4.53, the overall training was ranked 4.45, and the training providing information that will benefit their work was ranked 4.11.

The follow-up survey with training participants also demonstrated that the training curriculum and information is useful and is being used with elderly homeowners. The survey was distributed electronically two months after the training in February 2010. Seven out of 23 housing counselors responded. Counselors were asked if they have used information from the training in

their housing counseling work and 57.1 percent have responded yes. When asked which training curriculum (Reverse Equity Mortgage Class Training Curriculum or Reverse Equity Mortgages as a Foreclosure Intervention Tool Training Curriculum) they were utilizing 71.4 percent were using information from both training curriculums and 26.6 percent were only using information from the Reverse Equity Mortgages as a Foreclosure Intervention Tool Training Curriculum. When asked if they were using this information with homeowners 57.1 percent responded yes.

The follow-up survey results also found that intermediate goals are being achieved. When asked has the information assisted clients in keeping their homes 26.6 percent of housing counselors said yes. Also in a two month period this information has prevented 2 foreclosures as of the end of February 2010.

Recommendations

Based on feedback from the training evaluations there are some changes that need to be made to make the training curriculums more useful. In particular, teaching the two training curriculums separately as two independent training sessions.

The topic areas of this project of foreclosure and housing were hard to keep up with and were moving targets as information, laws, policies, and regulations at the federal level related to foreclosure and housing counseling were changing rapidly, almost on daily basis. Therefore it was difficult to keep the training curriculums up-to-date, accurate, and focused.

This project became extremely political which was not anticipated and caused project delays. There is another statewide membership non-profit IHDA sub-contracts with for the majority of housing counseling trainings. There was some resistance to another organization taking this on by this entity. Therefore, these political dynamics caused some delays related to scheduling

and holding the training. As a result only one training session has been held to date rather than the anticipated two training sessions.

X. Appendices

Appendix A

TRAINING AGENDA

DAY 1

10:00 am	Welcome and Introductions
10:30 am	Basics of Reverse Equity Mortgages
11:30 am	LUNCH
12:15 pm	Basics of Reverse Equity Mortgages
1:15 pm	Reverse Equity Mortgages Prime for Predatory Lending <i>CNBC – House of Cards</i>
2:45 pm	BREAK
3:00 pm	Discussion and Questions About <i>House of Cards</i>
3:15 pm	Reverse Equity Mortgages Prime for Predatory Lending <i>Why Indiana is Prime Market for Reverse Equity Mortgage Predatory Lending?</i>
3:55 pm	Review of the Day and Special Guest Tomorrow
4:00 pm	Adjourn

TRAINING AGENDA

DAY 2

9:00 am	Welcome, Review of Previous Day, Distribution of Handouts
9:15 am	Indiana's Attorney General's Office <i>Gabrielle Owens</i>
9:45 am	Overview HECM Documents <i>Mary Jo Huffman, Freedom Financial</i>
10:00 am	BREAK
10:15 am	Reverse Equity Mortgage Class Training Curriculum
11:15 am	Group Activity Based on Reverse Equity Mortgage Class Training Curriculum
11:30 am	LUNCH
12:15 pm	Group Activity (continued)
12:45 pm	Reverse Equity Mortgages as a Foreclosure Intervention Tool Training Curriculum
1:30 pm	BREAK
1:45 pm	Group Activity Reverse Equity Mortgages as a Foreclosure Intervention Tool
2:00 pm	Wrap-Up, Certificates, Wrap-Up
2:30pm	Adjourn

Appendix B

INSERT AGENCY LOGO AND NAME HERE

COMMUNITY SURVEY ON HOUSING

October 2009

The information provided in this survey is being used to evaluate the need for financial information and foreclosure intervention for elderly homeowners. This information is being used to evaluate community needs only.

Please circle the answer that applies for each of the following questions.

1. How long have you lived in your current home?

0-5 years 6-10 years 11-15 years 16-20 years 21-25 years
 26-30 years 31 years or more

2. Do you rent or own your home?

Rent Own

3. If you own your home, do you currently have a mortgage? (If you answer no, skip to question 7)

Yes No

4. If you have a mortgage, do you find it difficult to pay your mortgage? (If you answered no to question 3, please skip to question 7)

Yes Always Yes Sometimes No Not At All

5. If you answered yes to question 3, are you concerned about losing your home to foreclosure?

Yes Always Yes Sometimes No Not At All

6. If you are having difficulties paying your mortgage would you be willing to receive housing counseling from a local non-profit to explore all the options you may have to make your mortgage more affordable and to help you keep your home?

Yes No Unsure

PLEASE TURN OVER, MORE QUESTIONS ON THE BACK

- 7. Do you have concerns about having enough income to meet all your financial needs and expenses?**

Yes Always

Yes Sometimes

No Not At All

- 8. Have you heard of reverse equity mortgages or home equity conversion mortgages?**

Yes

No

- 9. Would you be interested in learning more about a mortgage product that would allow you to access equity in your home to help with living expenses or make improvements to your home?**

Yes

No

Unsure

- 10. Please select the age range you fall into?**

Under 62 years old

62-65 years old

66-69 years old

70-75 years old

76-79 years old

80 year old and older

THANK YOU FOR YOUR TIME AND PARTICPATION IN THIS SURVEY!

XI. Bibliography

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