

Thank you for joining us for today's webinar:

Reverse Mortgage Borrowing and Life  
Satisfaction of Older Adults: A Webinar  
Presentation of Findings and Implications

The webinar will begin promptly at 12pm CT  
(1pm ET, 11am MT, 10am PT)



# Reverse Mortgage Borrowing and Life Satisfaction of Older Adults: A Webinar Presentation of Findings and Implications



November 14, 2018  
12pm-1pm CST  
Brought to you by:  
Center for Financial Security  
at the University of Wisconsin- Madison



**Hallie Lienhardt**  
Assistant Director  
Center for Financial Security  
University of Wisconsin-Madison

## Reverse Mortgage Borrowing and Life Satisfaction of Older Adults: A Webinar Presentation of Findings and Implications

- Welcome
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- Q & A
- Sign off

## Our Presenters



**Căzilia Loibl**  
Associate Professor  
Department of Human Sciences  
College of Education and Human Ecology  
The Ohio State University



**Roslyn A. Quarto**  
Executive Director  
Empowering and Strengthening  
Ohio's People (ESOP)  
Vice President of Advocacy,  
Benjamin Rose Institute on Aging



**Sonya Edwards**  
Director of Financial Counseling  
Empowering and Strengthening  
Ohio's People (ESOP)

# The Relationship between Reverse Mortgage Borrowing, Domain and Life Satisfaction

Cäzilia Loibl, Department of Human Sciences

Donald Haurin, Department of Economics

Julia Brown, John Glenn College of Public Affairs

Stephanie Moulton, John Glenn College of Public Affairs

The Ohio State University, Columbus, Ohio, USA

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# Cäzilia's Aging Projects

Hi!

I am an Associate Professor and Certified Financial Planner™ at the Department of Human Sciences, Program Consumer Sciences

1) The role of home equity for meeting financial needs, with a focus on reverse mortgages

*The Ohio State University*

2) Indebtedness in older age and its outcomes, such as food insecurity, family relationships

*Centre for Decision Research*

*Leeds University Business School, UK*

3) Debt and loneliness

*Longitudinal Aging Study Amsterdam (LASA)*





Disclaimer:

*The research reported herein was performed pursuant to a grant from the MacArthur Foundation as part of the “How Housing Matters” Research Competition and The U.S. Department of Housing & Urban Development’s Office of Policy Development and Research (PD&R). The opinions and conclusions expressed are solely those of the author(s) and do not represent the opinions or policy of SSA, HUD or any agency of the Federal Government.*

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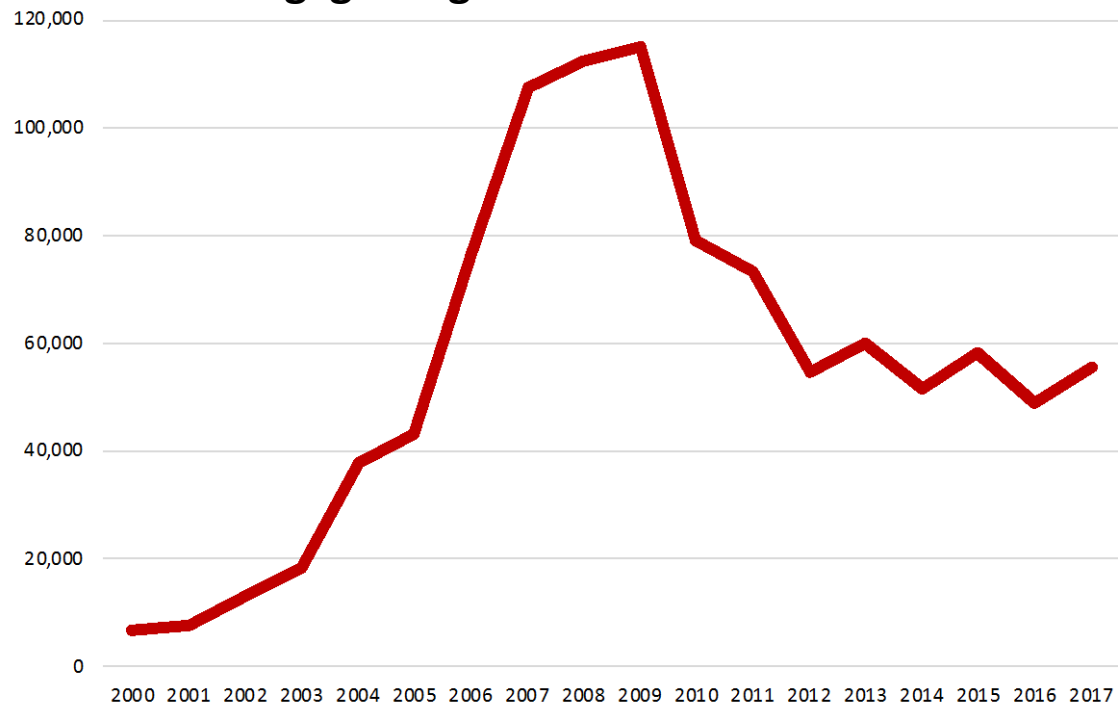


# Objective

Reverse mortgages allow adults aged 62 and older to borrow against the equity in their homes without incurring monthly loan repayments.

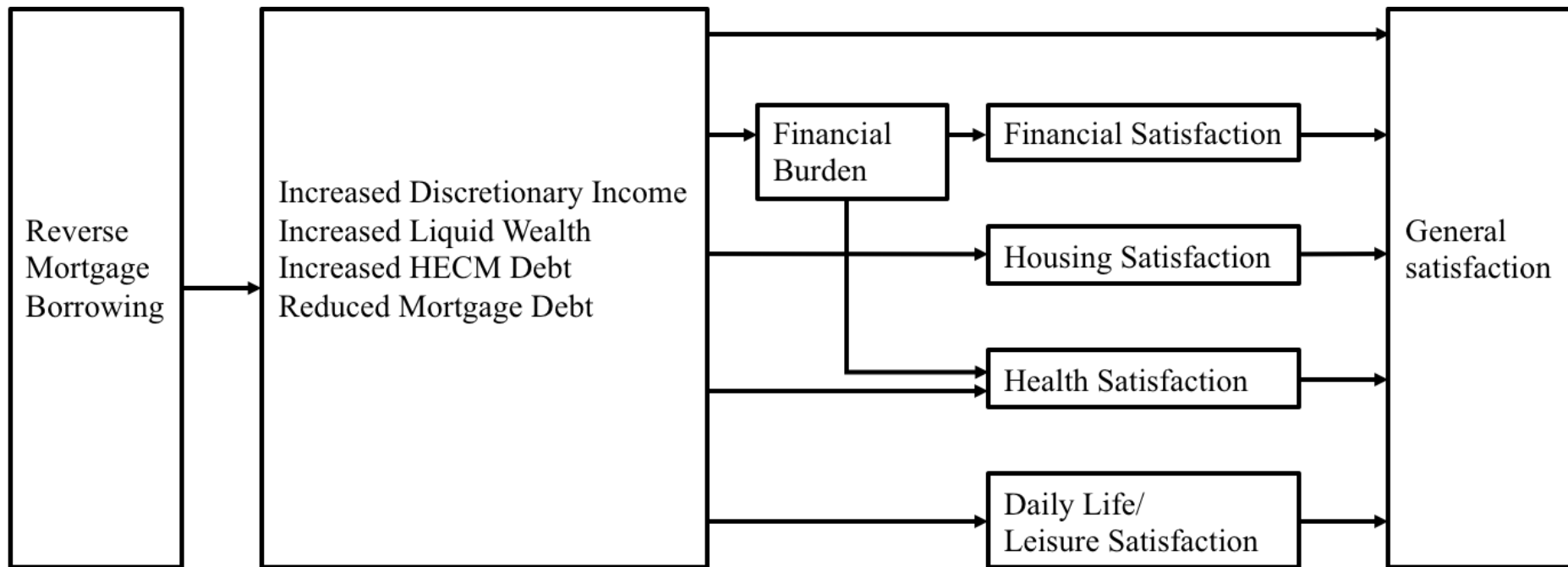
This study examines the relationship of reverse mortgage borrowing with older adults' satisfaction with their financial situation, housing, health, and daily life/leisure as well as with life as a whole.

**Reverse Mortgage Originations in the U.S. 2000 to 2017**





# Framework



# Domain Satisfaction

## Financial satisfaction

Higher retirement income, higher levels of assets/lower levels of debt are positively related to financial satisfaction

- Reverse mortgage: Increase income by removing monthly mortgage payment and/or proceeds from the reverse mortgage.
- If perception of debt burden: neutral or negative relationship of reverse mortgage borrowing and financial satisfaction

*Further reading: Danigelis & McIntosh 2001; Hsieh 2004; Hansen et al. 2008*

## Housing satisfaction

Ability to afford renovations/modifications and aging in place are related to housing satisfaction

- Expect particularly strong and positive relationship of reverse mortgage borrowing and financial satisfaction

*Further reading: Amérigo & Aragonés 1997;*

*Fernández-Carro et al. 2015; Robison & Moen 2000*



# Domain Satisfactions

## Health satisfaction

Income, wealth are positively related to health satisfaction via:

Financial pathways: seeing a doctor when needed, obtain medication as prescribed, engage in preventive health care

Psychological pathways: Higher income and access to liquid wealth can reduce financial worry and depression and increase one's sense of mastery and coping abilities

- If perception of debt burden, neutral or negative relationship of reverse mortgage borrowing and health satisfaction

*Further reading: Vogeltanz et al. 1999; Boen & Yang, 2016; Pool, Needham, Burgard, Elliott, & Mendes de Leon, 2017; Cohen, Salonen, & Kaplan, 1999; Drentea & Reynolds, 2015; Gallo & Matthews, 2003; Hamoudi and Dowd, 2014*

## Daily life and leisure satisfaction

Income, wealth are positively related to daily life/leisure satisfaction through lesser feelings of loneliness, greater self-efficacy and self-esteem.

*Further reading: Rasinaho et al. 2007*

# General Satisfaction

Positive association between income, wealth and general satisfaction.

- Expect relationship between reverse mortgage borrowing and general satisfaction to persist multiple years after obtaining a reverse mortgage (“windfall event”).
- Studies found measurable effects of windfall wealth effects on general satisfaction after two years. In contrast, people tend to fully adapt to many other life events within twelve months (e.g., marriage, child birth/adoption, change of residence)

*Further reading: Ferrer-i-Carbonell & van Praag, 2002; Frijters et al. (2011; Diener, Lucas, & Scollon, 2006*



# Data

New national data set of 1,088 older adults in the United States:

1. Reverse mortgage loan data
2. Borrower and non-borrower credit histories
3. Responses to a phone survey of reverse mortgage borrowers and non-borrowers

Our estimation strategy compares reverse mortgage borrowers to older adults who obtained mandatory counseling but not a reverse mortgage.



# Results

## Differences in OLS satisfaction coefficients comparing reverse mortgage borrowers to non-borrowers

<u>Variable</u>	<u>Difference in Raw Means</u>	<u>Regression results</u>		
		HECM Coefficient	t-statistic	p value
Financial satisfaction	0.25***	0.15**	1.96	0.05
Housing satisfaction	0.28***	0.18***	3.13	0.01
Health satisfaction	0.01	-0.01	0.17	0.87
Daily life/leisure satisfaction	0.12*	0.08	1.21	0.22
General satisfaction	0.11*	0.08	1.18	0.24

*Note. Each row presents a separate regression. Sample size = 1,088; \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$*

## Regression of general satisfaction on domain satisfaction

Dependent variable	Full Sample Coefficient (Std. Err.)	HECM Borrowers Coefficient (Std. Err.)	HECM Non- borrowers Coefficient (Std. Err.)
Financial satisfaction	0.21 (0.02)***	0.22 (0.03)***	0.18 (0.04)***
Housing satisfaction	0.12 (0.03)***	0.15 (0.03)***	0.07 (0.05)
Health satisfaction	0.10 (0.02)***	0.08 (0.24)**	0.17 (0.04)***
Daily life/leisure satisfaction	0.43 (0.03)***	0.43 (0.03)***	0.44 (0.05)***
Constant	0.55 (0.11)***	0.47 (0.14)**	0.62 (0.19)**
Adjusted R <sup>2</sup>	0.50	0.51	0.50
N	1,088	769	319

Note. \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$



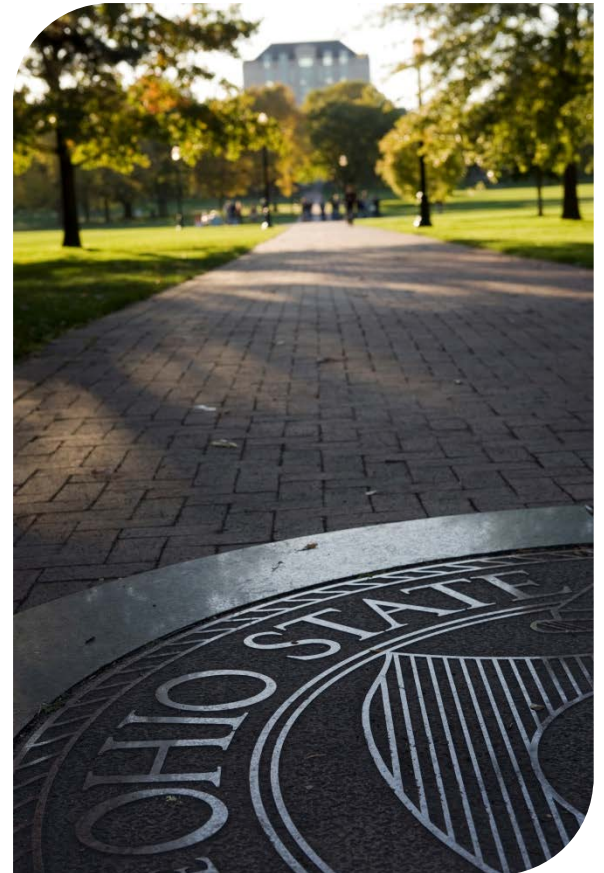


# Conclusion

Reverse mortgage borrowers have significantly higher financial and housing satisfaction compared to non-borrowers; no differences were found for health, daily life/leisure, and general satisfaction.

Satisfaction domains contribute differently to general satisfaction: housing satisfaction has a greater influence for borrowers and health a greater influence for non-borrowers.

Our study provides new knowledge about the longer-term outcomes of reverse mortgage borrowers. The positive association of reverse mortgage borrowing for housing and financial satisfaction and, in turn, general satisfaction, provides insights regarding borrower experiences with this controversial financial tool.



# More information about Cäzilia

## Reverse Mortgage Borrowing and Health Outcomes

- Food insecurity among reverse mortgage borrowers (PI: Loibl)
- Debt stress and reverse mortgage borrowing (lead: Don Haurin)
- Progression and manifestation of disease among reverse mortgage borrowers (PI: Stephanie Moulton)

## Post-Origination Monitoring Pilot (PI: Stephanie Moulton)

- RCT design; financial planning and reminders after closing
- Launched in January 2015
- 2017 survey, credit report and loan data, tracking outcomes

**Don't hesitate to contact me!**

**Email: [loibl.3@osu.edu](mailto:loibl.3@osu.edu)**





**Roslyn Quarto**

Executive Director, Empowering and Strengthening Ohio's People [ESOP]  
Vice President of Advocacy, Benjamin Rose Institute on Aging

**Sonya Edwards**

Director of Financial Counseling  
Empowering and Strengthening Ohio's People [ESOP]

# Who We Are

Empowering and Strengthening Ohio's People is a non-profit HUD-approved housing and financial counseling agency.

# Our Mission

Helping adults in all stages of life achieve and maintain financial wellness and housing stability.

# Our Vision

ESOP envisions a community in which everyone has economic opportunity, financial stability, and a safe place to live.

# ESOP History

- Founded in 1993: Community Organizing on the East Side of Cleveland
- 2000-2008: Positioned to intervene against foreclosure crisis
- Since 2005, ESOP has assisted more than 40,000 homeowners prevent foreclosure
- In 2012: We noticed that more than 40% of our clients from Cuyahoga County were 55 and older
- 2013: Funded to hold listening tables to ask seniors what issues impact their quality of life
- 2014: Launched the Senior Financial Empowerment Initiative [SFEI]
- Since 2014, ESOP has assisted more than 15,000 older adults in our SFEI
- In 2017 ESOP became a subsidiary of Benjamin Rose Institute on Aging





# ESOP PROGRAMS



## Financial Programs

- 💰 Financial Counseling/Coaching
- 💰 Financial Education Workshops
- 💰 Matched Savings Programs
- 💰 Benefits Enrollment Center
- 💰 Medicare Part D Counseling
- 💰 Vision Screening/Vouchers
- 💰 Free Income Tax Preparation
- 💰 Medical Financial Partnership

## Housing Programs

- 🏠 Homebuyer Education
- 🏠 Pre-Purchase Counseling
- 🏠 Post-Purchase Counseling
- 🏠 Rental/Transition Counseling
- 🏠 Foreclosure Prevention Counseling
- 🏠 Property Tax Counseling
- 🏠 Senior Property Tax Loans
- 🏠 ESOP Non-Profit Realty

**COMING SOON: Accessibility/Modification Home Loans & Grants**



# ESOP'S TYPICAL CLIENT

- ☐ Female
- ☐ African American
- ☐ Lives alone
- ☐ Earning an average of \$12,131.76 per year
- ☐ Often a caregiver or care recipient
- ☐ Typically between 55-80 years old
- ☐ High credit card debt
- ☐ Payday loans
- ☐ Victim of fraud and scams
- ☐ No (or very little) equity in home
- ☐ Home in need of repairs and accessibility/modifications
- ☐ Delinquent on property taxes – often at risk of foreclosure
- ☐ No savings
- ☐ Increasing health care costs
- ☐ Rarely presents with only one problem







- Financial Exploitation

- ✓ >20% of seniors (7.3 million) report financial abuse
- ✓ Most go unreported
- ✓ \$2.9 billion lost by seniors annually



- ESOP began providing Financial Education Workshops to guard against Elder Financial Exploitation

- ✓ *Money Smart for Older Adults*

- Financial & Housing Insecurity

- ✓ 30% of seniors experience a \$0 or negative budget every month after paying for their basic needs
- ✓ Increasing health care costs
- ✓ Increasing credit card debt
- ✓ 1/3 of adults 50 and older pay excessive share of their incomes for housing (approx. 30%)
- ✓ 50-64 are still paying mortgage
- ✓ 40% of homeowners 65 and older are still paying mortgage



- ESOP began providing Financial Counseling and Financial Coaching to Older Adults

- ✓ Counseling
  - crisis oriented
  - counselor directed
- ✓ Coaching
  - goal oriented
  - client directed

- Expanded Financial Education Workshops to include additional modules



# CLIENTS' TYPICAL PROBLEMS



# ESOP'S INTERVENTION

- The New Foreclosure Crisis: Property Tax Foreclosures for Older Adults

- ✓ In 2014, more than 7,500 homeowners in Cuyahoga County with homestead exemptions were delinquent and at risk of foreclosure
- ✓ Property tax liens sold to third parties



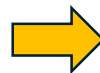
- ESOP developed Senior Property Tax Loan Program



- Cuyahoga County developed Property Tax Counseling program

- Clients Have No Savings

- ✓ 57 million Americans don't have the savings to cover a \$500 emergency



- ESOP started the Matched Savings program "Learn and Earn Account Program" [LEAP] and [LEAP+]

- Access to Benefits & Resources

- ✓ In Ohio, more than \$2.24 billion in support programs and tax credits go unclaimed each year



- ESOP Financial Empowerment Coaches became certified benefit screeners to help clients identify and apply for over 1,300 federal, state and local benefits





## • The Financial Challenges of Caregiving



- ✓ 40 million Americans are caregivers; provide 37 billion hours of care each year; equates to over \$500 billion annually.
- ✓ Less than 1/3 of adults have money set aside for long-term care.
- ✓ Woman are 3 times more likely to retire early to provide care (impact on social security).
- ✓ The average lifetime loss in wages is \$324,000, which includes lost opportunities for promotions.
- ✓ 47% of adults age 40-59 are simultaneously raising children AND caring for aging parents.

## • ESOP Expanded Financial Workshops to improve financial security of caregivers

- |  |   |
|--|---|
| ❑ Generations United   | ❑ Rising Food & Utility Costs                             |
| ❑ Sticking Together: Kinship Care                                  | ❑ Protecting Yourself & Your Loved Ones from Exploitation |
| ❑ Diminished Capacity  | ❑ Financial Fatigue of Caregiving                         |
| ❑ Understanding the Financial Documents used in Financial Planning | ❑ Financial Self-Care                                     |

## • Americans are Not Prepared for Retirement



- ✓ 32% of people ages 53-62 have \$0 saved for retirement
- ✓ 24% of people ages 65+ depend on Social Security for 90% or more of their income
- ✓ 90% of people in the bottom quartile rely exclusively on Social Security

## • Expanded Financial Workshops to include topics geared toward helping clients prepare for retirement

- |                                      |                                  |
|--------------------------------------|----------------------------------|
| ❑ How to Pay for Health Care Costs   | ❑ Managing Savings & Investments |
| ❑ Make the Most of Your Home's Value | ❑ Protecting Yourself From Fraud |
| ❑ Managing Debt                      | ❑ Using Work to Your Advantage   |
| ❑ Managing Retirement Plan Assets    | ❑ When to Claim Social Security  |



# Senior Financial Empowerment Initiative

- Financial Education Workshops
- Financial Coaching/Counseling
- Matched Savings Programs
- Foreclosure Prevention
- Property Tax Counseling
- Senior Property Tax Loan Program
- Rental/Transition Counseling
- Benefit Assessments
- Medicare Part D Counseling
- Vision Screening/Vouchers
- Free Tax Preparation & Filing Service
- **COMING SOON: Accessibility Modifications/Home Repairs**



# ESOP's Integrated Suite of Services



# 2017 Financial Counseling & Coaching

**Average client annual income \$12,131.76**

**Decrease in Debt**  
**\$2,415**  
**(20%)**



**Increase in Savings**  
**\$244**  
**\$1,089 (seniors in LEAP)**



**Decrease in Monthly Expenses**  
**\$218**  
**(22%)**



**Increase in Credit Score**  
**27 Points**





*Thank you!*

*Roslyn Quarto*

Executive Director, ESOP  
Vice President of Advocacy,  
Benjamin Rose Institute on Aging  
[rquarto@benrose.org](mailto:rquarto@benrose.org)

*Sonya Edwards*

Director of Financial Counseling  
Empowering & Strengthening Ohio's People  
[ESOP]  
[sedwards@benrose.org](mailto:sedwards@benrose.org)

Empowering & Strengthening Ohio's People [ESOP]

11890 Fairhill Road  
Cleveland, OH 44120  
Office: 216-361-0718  
[www.esop-cleveland.org](http://www.esop-cleveland.org)

ESOP is a subsidiary of Benjamin Rose Institute on Aging



[www.esop-cleveland.org](http://www.esop-cleveland.org)  @esopCommunity



## Q & A



**Căzilia Loibl**  
Associate Professor  
Department of Human Sciences  
College of Education and Human Ecology  
The Ohio State University



**Roslyn A. Quarto**  
Executive Director  
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Please remember that today's webinar was recorded and will be  
posted on our website: [cfs.wisc.edu](http://cfs.wisc.edu)  
within two business days.



Please contact Hallie Lienhardt with questions:

[Hallie.lienhardt@wisc.edu](mailto:Hallie.lienhardt@wisc.edu)

608-890-0229