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## Recovery Act raises reverse mortgage borrowing level

The Housing and Economic Recovery Act of 2008 will have several changes to reverse mortgages that will directly affect seniors.

Under the new law, the amount that a senior can borrow has been raised to \$417,000 nationally and \$625,000 for high housing cost areas. Clark County is not a high housing cost area and its existing area lending limit is only \$304,950.

The law would also reduce the fees for reverse mortgages. For the Home Equity Conversion Mortgage (HECM) loan, it would cut the origination fee to 2 percent of the first \$200,000 borrowed and 1 percent on any amount beyond \$200,000. The maximum origination fee would be limited to \$6,000. The origination fee is currently capped at 2 percent of the lower of the area lending limit or the value of the home.

Except for the usual and customary insurance products related to getting a mortgage that include hazard, flood, and title insurance, lenders would be prohibited from requiring borrowers to purchase life insurance, annuities, or long-term care insurance as a condition for getting a reverse mortgage.

Reverse mortgages are loans that allow seniors to borrow against the equity in their homes. The loans are non-recourse. That means that only the property guarantees the loan. The creditworthiness of the borrower is not considered. The homeowner retains ownership of the home and they can never end up owing more than what the house is worth.

To be eligible, all borrowers must be at least 62 years old and own a home that qualifies including a single family home, condominium or townhouse, or a multifamily (2, 3, or 4 units.) Manufactured homes also qualify if they include ownership of the land and they were built after 1976. The first step in getting a reverse mortgage is receiving counseling from a counselor certified by the Department of Housing and Urban Development (HUD).

"We've had customers calling us every week since November," says Janet Kaul, co-owner of Senior Life Solutions, a Vancouver, Wash., based reverse mortgage company. "Some of them are dangerously close to losing their homes to foreclosure, and have been anxiously awaiting the increase in FHA lending limits ever since Congress began discussing the issue last year."

"This current housing crisis hurts everyone, but I think it's particularly difficult on the seniors since their primary earning years are behind them," said Kaul. "Even with the downturn in real estate, the FHA lending limit was extremely low in some areas, even as much as 50 percent below appraised value! Whether you agree with the rest of the bill or not, one thing is for certain, this will provide a much needed boost to senior homeowners."

According to Bill Roller, president of BR Mortgage in Vancouver, and AARP/HUD study found the most common uses for reverse mortgages include care costs (67 percent), repay and existing mortgage (55 percent), reduce the burden on children (50 percent), home repairs and improvements (50 percent), pay property taxes (38 percent), daily expenses (29 percent), travel or something special (14 percent), and gifts (3 percent).

"The market for reverse mortgages has been growing recently," said Roller. "Only 1 percent of older households have reverse mortgages. According to AARP there were only 6,600 loans done in 2000 but this number has grown to 107,000 in 2007."

### About the cover

Cathi Parent Wright shows off her red-tailed hawk, one of three wild birds she utilizes in her wildlife education outreach to schools, organizations and community events.

Photo By Scott Barbour  
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