

The Silent Objection: What they may not be telling you

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When you sit down with a potential reverse mortgage borrower, you know they didn't invite you over for a cup of coffee. Before they clicked on your ad, picked up the phone or sent in a card there was an underlying need or concern that motivated them. The most successful originators don't dive into how a Home Equity Conversion Mortgage works but instead ask them what they would like to accomplish. A wise approach that cuts through the minutia of the loan and isolates underlying motivations. Despite their intentions, there may be one silent objection they are not sharing- their apprehension in using home equity.

A report issued by the Employee Benefit Research Institute is quite enlightening. The group studies the asset and spending habits of retirees in the first 20 years of their retirement. The data reveals those with pensions are less likely to spend down their assets in the first 18 years. Those with less than \$200,000 in non-housing assets only spent down one-quarter of their assets in the same time period. The report also reveals that one-third of those who began with less than \$200,000 in savings had any non-housing assets remaining 18 years into retirement. Consequently, the ERBI suggests new retirees and those preparing to retire consider potentially leveraging their home's dormant equity to improve retirement security.

With an [estimated \\$6 trillion in tappable home equity](#) for those 62 and older, why are many reluctant to tap this dormant asset stuck in the bricks and mortar of their home. For the answer, you may need to only look back 10 years ago. Seniors have a long memory and the housing crash and the resulting carnage that ensued are not forgotten. Some had friends or relatives who were inappropriately placed into Pick-a-Pay or interest-only loans who faced ballooning mortgage payments while their home value plummeted. Being mindful of this it is imperative that HECM originators initiate a discussion that in the event of another drop in housing prices the reverse mortgage remains unchanged. It is only at the time that they sell the home or the loan terminates that the home's ending value comes into play and unlike traditional mortgages, there is no risk of making continued payments on a depreciating home.

Others avoid tapping their home equity being uneasy in incurring more debt. According to an Urban Institute blog post also revealed a lack of financial literacy, the complexity of certain mortgage products (such as the HECM) and fear of misinformation are impediments leading to a relatively low rate of home equity extraction among seniors.

Although not often mentioned, there is value in asking your potential borrowers what concerns they may have in using their home's value or equity to fund retirement. If you don't ask, you cannot address their unspoken fears and apprehension.