

## New Changes In Reverse Mortgage Regulations Provide Opportunity For The Elderly

by Edward H. Miller, Esq.

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Recent regulatory changes relating to reverse mortgages may make utilizing a reverse mortgage more understandable and applicable to retirees. For many years, reverse mortgages were viewed as a product of last resort. Professionals from a variety of fields, from personal finance to elder law, viewed a reverse mortgage as confusing, unfair, and potentially even predatory to seniors. Recent changes may give reverse mortgages a dramatically better name within the retirement community.

Traditionally, there were two primary reserve mortgage options: the traditional reverse mortgage, officially known as a Home Equity Conversion Mortgage ("HECM"), and the HECM Saver, which had a lower payout of equity but fewer upfront fees. As of September 30, 2013, both of these mortgage vehicles became outdated. Now, all new mortgages will have to conform to regulations which will provide better clarity and flexibility to retirees. Any existing reverse mortgage will remain in effect.

New reverse mortgages will utilize a contract structure similar to a purchase money mortgage. Thus, seniors will face a much tighter standard principal limit factor. The principal limit factor is the amount of equity one can withdraw from a residence. Whereas in the past one could remove the entire equity in a home, now one can only remove seventy percent of existing equity. For those in dire financial conditions, this means the reverse mortgage will no longer be an emergency safe haven.

However, new reverse mortgages will have a important new option: flexibility of payment. Specifically, one can take a partial withdrawal of equity one year, for example when the stock market is high and capital gains would be detrimental, without being required to take additional payments in the future unless desired. In short, the new reverse mortgage operates similar to a home equity line of credit, often referred to as a "HELOC," as opposed to a traditional reverse mortgage. Thus, many financial planning opportunities may be available for those who would not traditionally consider a reverse mortgage an appropriate option.

## **New Changes In Reverse Mortgage Regulations Provide Opportunity For The Elderly – Cont'd**

One must analyze the upfront costs of a reverse mortgage when considering the impact that a reverse mortgage may have on one's financial health. Usually, a reverse mortgage includes an upfront closing cost equal to roughly four percent of the mortgage. If this money were saved, it could grow in the stock market. Thus, there are other costs associated with this upfront cost - specifically, the lost growth that closing cost funds could have obtained over time. However, some people highly benefit from the cash flow benefits of a reverse mortgage. Those who are "real estate wealthy" but lack liquidity may be a good fit for a reverse mortgage. One must still be 62 years of age to obtain a reverse mortgage.

Is a new reverse mortgage an appropriate financial vehicle for funding your individual retirement? Answering this question requires a personalized and comprehensive financial review of your goals and challenges. At Hook Law Center, our attorneys have extensive experience in reading the "fine print" associated with reverse mortgages, and we would be happy to discuss your goals and questions related to retirement.

(This article was based on a recent article by Mr. Michael L. Banner, Esq. "HUD Makes Mandatory Changes To The Reverse Mortgage," Michael L. Banner, NAELA News, Volume 25, Issue 6, Dec. 2013-Jan.2014.)



### **Cats and Thinking – Part 1**

**Hook Law Center:** Kit Kat, how do cats think?

**Kit Kat:** Well, this is more complicated than you may think. Cats are actually very complex beings. Just ask my mom. There are 5 cats in our house, and they are as different as 5 people would be. But let's skip this anecdotal evidence, and get to some real facts. Dr. John Bradshaw of the University of Bristol in England is an authority on cats. He has just written a book entitled Cat Sense. Unlike dogs which have been domesticated over the centuries, cats have maintained a wild streak partly because of frequent mating with feral cats. 85% of all matings for cats occur in this way. Therefore, cats tend to be not as demonstrably affectionate.

How do they communicate? Having their tails in an upright position is one way. That indicates affection. Kittens communicate with their moms by purring, which is a signal that they want to be fed. When kittens knead their mom's stomach, it is to stimulate milk production. One of our family's Savannah, GA cats has maintained this behavior when sitting on someone/anyone's lap. She especially does it if the person has a soft blanket on his/her lap. She just sits there and kneads away repeatedly. It obviously is very soothing for her.

Another thing Dr. Bradshaw said is that cats think of their owners as substitute mothers or larger non-hostile cats. Nothing wrong with that. People are a source of food and warmth, so no wonder they would not think of them as their mother, who fed them and kept them warm as kittens.

(<http://www.nytimes.com/2014/01/07/science/cat-sense-explains-what-theyre-really-thinking.html?>)

## Upcoming Events

- Hook Law Center will be speaking on Long Term Care Insurance (traditional and hybrid), Estate Planning, and Tax Planning just to name a few of the topics at Leigh Hall Assisted Living. This speaking engagement will be on **January 29, 2014** at 6:00PM, and the facilities address is 890 Poplar Hall Drive, Norfolk, VA 23502.
- United Way of South Hampton Roads is where Shannon Laymon-Pecoraro will be presenting some benefits and strategies for Estate Planning on **January 30, 2014**. This presentation starts at 6:15pm and the address is, 2515 Walmer Road, Norfolk, VA
- Shannon Laymon-Pecoraro, Esq. will speak at the Parkinson's and Caregivers Coffee Break on medical/legal issues concerning elders and those with significant health issues. The coffee break will take place at St. Andrew's United Methodist Church, 717 Tucson Rd., Virginia Beach, VA 23462 on **February 5, 2014** from 10AM-12:00PM.
- Andrew H. Hook, will begin his series of speeches at The Ballentine with *Long Term Care Planning Part I (Estate Planning)* on **February 17, 2014**. This will be included as part of their family night, so dinner will be from 5:00-6:00PM and the presentation will be from 6:00PM-7:30PM. The address to the facility is 7211 Granby Street, Norfolk, VA 23505.
- Hook Law Center is a sponsor of the American Heart Association Ball which will take place on **March 8, 2014** at the Norfolk Botanical Gardens. For event information, contact Stephanie Phipps at 757-628-2608
- Hook Law Center will be presenting a live webinar on POAs, AMDs and the Ethics of It All in Charlottesville, VA on **April 10, 2014**. This webinar will be hosted by Virginia Continuing Legal Education.
- Shannon Laymon-Pecoraro, an attorney at Hook Law Center, is a member of the advisory board of the Hampton Roads Chapter of the American Parkinson Disease Association. Please visit our website if you have any questions about this event on **April 12, 2014**.

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