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IN THE REGION | WESTCHESTER

Allure Broadens for Reverse Loans

By ELSA BRENNER

RETIREES everywhere whose savings have shriveled in the credit crisis are turning to reverse mortgages to meet their expenses — and in places like Westchester County, where high property taxes also weigh heavily on their shoulders, such loans have become more popular.

Stephen Lamoreaux, a reverse-mortgage specialist in Stamford, Conn., who serves clients in New York and Connecticut for Wells Fargo Home Mortgage, is one expert who has noticed a surge in interest in reverse loans. “The property-tax issue is really driving business these days,” he said.

Because of high taxes, residing in Westchester during one’s old age — even if the mortgage is paid off — can be far more costly than doing so, for instance, over the line in Connecticut. Annual taxes on a four-bedroom house in Larchmont on the market for $1.239 million are $24,049; in Greenwich, the tax bite for a similarly priced house is $6,433.

On top of that, selling to move has become problematic, said Bernard A. Krooks, a partner in Littman Krooks, a New York City law firm with an office in White Plains. A retiree “may have planned to sell the house and move to a condo,” said Mr. Krooks, who specializes in elder law, “but things aren’t moving that well in this market. The timing for them is bad.”

For owners 62 or older faced with bad timing, and perhaps hoping for eventual improvement in their portfolios, it can be sensible to stay put, making use of a reverse mortgage to borrow against the equity in the home tax-free, with no requirement to pay the money back as long as the borrower lives in the home.

Describing many of his clients as “house rich and cash poor,” Mr. Krooks explained that this situation affords Westchester retirees “a much-needed, day-to-day income stream to meet their expenses.”

According to the federal government, the volume of reverse mortgages increased 24 percent in March compared with February , setting a national monthly record of 11,261 reverse-mortgage loans. And as the market for them booms, the profile of those using them is expanding, Mr. Lamoreaux said. “It used to be just the 75-year-old widow,” he added, “but that’s not so anymore.”

Nowadays, the loans are becoming more popular both with recent retirees and the very elderly — though the motivations are very different.

Mr. Lamoreaux cited the example of clients of his in their 60’s “who had lived large when they were younger,” owned a vacation home and had taken out two or more mortgages on their primary residence to finance their children’s education. As a result, they had few resources left to carry them through retirement,

especially with their investments depleted.

Another couple he counseled had been looking forward to retirement in the next few years and had planned to sell their home in northern Westchester and move, permanently, to their vacation home in North Carolina. Then, last month, the husband was laid off by his company as part of a cost-cutting measure.

The couple faces a new reality: the value of their home has plummeted from its peak two years ago, and the monthly payments on their seven-year interest-only mortgage are about to go up — just as their income is evaporating. They are candidates for a reverse mortgage to help refinance their debt and buy them time to regroup and consider their options.

Another couple, in their late 80s, recently told him their reason for needing a reverse mortgage: “We’re not supposed to be alive to need money to live now, but here we are.”

Mr. Krooks, for his part, has seen increased interest from people in their 60s who have power of attorney for frail parents in need of daily care. “Home health care can cost several thousand dollars a month,” he said, “and Social Security isn’t going to cover that.”

One such client, from Larchmont, recently consulted him about his elderly mother. Needing full-time care but resistant to the idea of a nursing home, she is living on less than $2,500 a month — not enough to cover her day-to-day expenses plus the cost of a home health aide.

The family home in Katonah, her primary asset, was purchased in 1953 for $23,000. Even with the decline in the real estate market, it is still worth about $900,000. To solve her liquidity problem, her son decided to take out a reverse mortgage on the house that will pay her approximately $5,100 a month.

“No one wants to go into a nursing home,” Mr. Krooks said, “but without a reverse mortgage, staying at home might not be an affordable option.”

One benefit of these loans is that the homeowner retains title to the house, and can use the reverse-mortgage money to avoid relying on Medicaid — which might otherwise put a lien on the house. Also, there are no monthly payments of principal or interest with a reverse mortgage, and closing costs, although high, can be folded into the loan.

In addition to increasing the demand for reverse mortgages, the poor housing market is fueling another trend: some retirees unable to sell their homes, or unwilling to move out, are instead combining households with adult children who may suddenly have lost jobs.

Noting that traditional two-story homes are often difficult for frail residents to negotiate alone, Mae Carpenter, the commissioner of the county’s Department of Senior Programs and Services, said: “Westchester has a lot of Peter Pan housing — housing you’re not expected to grow old in. They have too many steps and no full bathroom on the first floor.” Often the children move in to save on their own housing costs and to help the parent, she added.

Mr. Krooks said some of his clients had moved in with their parents. “It’s a trend I’m seeing,” he said, “especially in places like Larchmont and Scarsdale and Chappaqua, where many people who were in the banking field are out of work in the current economy.”

No matter the age bracket, no group of retirees is immune to the vagaries of the housing market. “Unless you’re living way above the fray, and few are these days,” Ms. Carpenter said, “the situation is taking a toll on you.”

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