



# The Arkansas Voice

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From the Law Office of  
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## Reverse Mortgages

Reverse mortgages have become quite popular in the past few years, but they are an expensive proposition for most seniors. A recent article in the *Wall Street Journal*, however, reports that the costs for reverse mortgages may be coming down, making such mortgages a more attractive option.



Homeowners at least 62 years of age can use reverse mortgages to tap into the equity in their homes without taking out home equity loans or lines of credit, or selling their homes. With a traditional mortgage, the homeowner must make monthly principal and income payments to the lender; with a reverse mortgage, the lender pays the homeowner. As with a reverse mortgage, the homeowner can opt to receive a lump sum payment, a line of credit, or monthly payments. As the debt increases, the home equity decreases. When the home is eventually sold, the lender is repaid the principal and accumulated interest payments. Any remaining equity belongs to the homeowner or the homeowner's heirs.

Approximately 90% of all reverse mortgages are insured by the government in the form of a Home Equity Conversion Mortgage (HECM). These mortgages are capped at a certain amount, regardless of the value of the home. Other reverse mortgages are not insured by the government and are usually "jumbo" reverse mortgages for more expensive homes. These mortgages provide greater income, but at a greater cost. Half of all reverse mortgages have been issued in the past two years, with 77,351 issued in the year ending September 20, 2006.

Reverse mortgages can be costly. Lenders typically charge an origination fee of up to 2% of the home's value (not the lower loan amount). Mortgage insurance is mandatory, with the premium adding another 2% to the costs. Closing costs are also added, and these costs can exceed \$12,000 for a \$250,000 loan. A homeowner may also pay monthly charges that can add thousands more over the life of the mortgage.

Financial counseling is mandatory for borrowers receiving a HECM. Lenders of non-HECMs usually provide financial counseling as well. Borrowers should be aware of financial product sellers who may try to sell the borrowers annuities for the large amounts of cash that the borrowers will receive. California recently enacted a law that specifically bans mortgage lenders from pitching an annuity to a borrower as a part of the mortgage process. It does not make sense to obtain a reverse mortgage to invest the proceeds, particularly because the return is unlikely to be more than the cost of the loan.

## ABOUT US

*We are an Elder Law and Special Needs Trust Law Firm. Located in Little Rock, Arkansas, we focus on helping individuals obtain Medicaid benefits without losing their home, Long Term Care Planning for victims of Alzheimer's Disease and other related disorders, Special Needs Trust solutions for families with children with special needs, and Preserving Eligibility for Public Benefits for personal injury victims.*

## DISTRIBUTION OF THIS NEWSLETTER

*Raymon B. Harvey, P.A. encourages you to share this information with anyone who is interested in issues pertaining to the elderly, the disabled and their advocates. The information in this newsletter may be copied and distributed, without charge and without permission, but with appropriate citation to Raymon B. Harvey, P.A.*

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## Reverse Mortgages

Lenders will only finance a portion of a home's value. A 68-year-old owner of a \$1 million home could get a HECM between \$108,000 and \$210,000 depending on the location of the home, but the homeowner could receive a jumbo reverse mortgage of about \$386,000. At age 72, the owner of a \$1 million home could receive a \$494,000 jumbo reverse mortgage.

There have been several initiatives to lower the costs of reverse mortgages. Reverse Mortgage of America has begun to waive the origination fee for its jumbo reverse mortgage or provide a credit, depending on the loan amount. Financial Freedom, a unit of IndyMac Bank, lowered its fees and restructured reverse mortgages last summer so consumers could receive about 50% more in cash than they could previously for a non-HECM.

Seniors considering using reverse mortgages to cover part of their long-term care expenses should monitor these developments closely and they should consult with an elder law attorney before proceeding.

*Source: Elder Law News, Volume 14, Issue 3, Oast & Hook, P.C.*

## Many Vets and Spouses Eligible for Assistance

The Department of Veterans Affairs (VA) is reaching out to inform wartime veterans and surviving spouses of deceased wartime veterans about an under-used, special monthly pension benefit called Aid and Attendance. Although this is not a new program, not everyone is aware of his or her potential eligibility. The Aid and Attendance pension benefit may be available to wartime veterans and surviving spouses who have in-home care or who live in nursing-homes or assisted-living facilities. Many elderly veterans and surviving spouses whose incomes are above the congressionally mandated legal limit for a VA pension may still be eligible for the special monthly Aid and Attendance benefit if they have large medical expenses, including nursing home expenses, for which they do not receive reimbursement.

To qualify, claimants must be incapable of self support and in need of regular personal assistance. The basic criteria for the Aid and Attendance benefit include the inability to feed oneself, to dress and undress without assistance, or to take care of one's own bodily needs. People who are bedridden or need help to adjust special prosthetic or orthopedic devices may also be eligible, as well as those who have a physical or mental injury or illness that requires regular assistance to protect them from hazards or dangers in their daily environment. For a wartime veteran or surviving spouse to qualify for this special monthly pension, the veteran must have served at least 90 days of active military service, one day of which was during a period of war, and be discharged under conditions other than dishonorable. Wartime veterans who entered active duty on or after September 8, 1980, (October 16, 1981, for officers) must have completed at least 24 continuous months of military service or the period for which they were ordered to active duty.

If all requirements are met, VA determines eligibility for the Aid and Attendance benefit by adjusting for unreimbursed medical expenses from the veteran's or surviving spouse's total household income. If the remaining income amount falls below the annual income threshold for the Aid and Attendance benefit, VA pays the difference between the claimant's household income and the Aid and Attendance threshold. The Aid and Attendance income threshold for a veteran without dependents is now \$18,234 annually. The threshold increases to \$21,615 if a veteran has one dependent, and by \$1,866 for each additional dependent. The annual Aid and Attendance threshold for a surviving spouse alone is \$11,715. This threshold increases to \$13,976 if there is one dependent child, and by \$1,866 for each additional child.

Additional information and assistance in applying for the Aid and Attendance benefit may be obtained by calling 1-800-827-1000. Applications may be submitted on-line at <http://vabenefits.vba.va.gov/vonapp/main.asp>. Information is also available on the Internet at [www.va.gov](http://www.va.gov) or from any local veterans service organization.

Source: Veterans Administration Press Release (19 Dec 2006)

## 2007 Medicaid and Medicare Amounts

### Medicare and Medicaid Spousal Impoverishment Figures

Maximum Community Spouse Resource Allowance:	\$101,640
Minimum Community Spouse Resource Allowance:	\$20,328
Maximum Monthly Maintenance Needs Allowance:	\$2,541
Minimum Monthly Maintenance Needs Allowance:	\$1,650
Medicaid Institutional Income Cap:	\$1,869

### Medicare Part A

Hospital Deductible	\$992
Hospital Co-Insurance per day (Days 61-90)	\$248/day
Hospital Co-Insurance per day (Days 91-150)	\$496/day
Hospital Co-Insurance per day (Days 151+)	All Costs
Skilled Nursing Facility Co-Insurance per day (Days 21-100)	\$131

### Medicare Part B

Deductible:	\$131/year
Premium (monthly)	\$93.50*

\* Note: Individuals with incomes more than \$80,000, or \$160,000 for married couples filing joint tax returns, will pay a higher Part B premium.

## Seniors Beware!

### “Certified Check” Scam

#### Being Had in 5 Easy Steps:

1. You receive a check, often “certified”.
2. You’re instructed to deposit the check.
3. You’re asked to write a check from your account to someone...quickly!
4. You’re assured the check was “certified,” or otherwise good.
5. You’re often told to keep a portion.



A “nice” person, for any number of reasons, claims to need your help. The more they mention your honesty, or theirs, the faster you should run! Crooks know that regulations prohibit banks from sitting on deposits, often forcing the banks to credit your account before a check clears. Bottom line: More money in your account doesn’t guarantee a check you deposited was good. When a deposited check, even a “certified check”, turns up bad, you owe the bank what was credited to you. Copy this for your family and friends!

By: Ric Cochran, CSA

## Announcements

Mr. Harvey will be presenting at the following events in the coming months. For more information on any of these events, please contact our office.

#### **March 2, 2007**

MEDS-PDN—Medicaid Planning in AR  
 Holiday Inn Presidential Conference Ctr.  
 600 Interstate 30, Little Rock, AR

#### **March 14, 2007**

Preparing for Long-Term Care  
 Sponsor: The Center on Aging, NE  
 The Lightle Center  
 2200 East Moore, Searcy, AR

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### Speaker

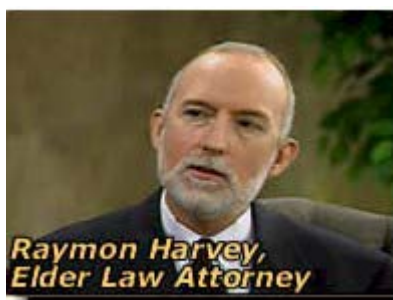
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Raymon Harvey speak at an event,  
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# Raymon B. Harvey, P.A.

## Arkansas Elder Law & Special Needs Trusts

Raymon B. Harvey, P.A. is an Elder Law and Special Needs Trust Law Firm. We represent older persons, disabled persons, their families, and their advocates. The practice of Elder Law and Special Needs Trusts includes estate planning, estate and trust administration, powers of attorney, advance medical directives, guardianships, conservatorships, and public entitlements (Medicaid and SSI), disability planning, and long-term care planning. For more information about Raymon B. Harvey, P.A., please visit our web site at [www.ArkansasElderLaw.com](http://www.ArkansasElderLaw.com).



**Raymon Harvey,  
Elder Law Attorney**

As the Arkansas member of the Special Needs Alliance, Raymon B. Harvey, P.A. assists injured plaintiffs and personal injury attorneys create special needs trusts. We also assist parents seeking supplement to their disabled child's benefits and maintain a quality of life. The Special Needs Alliance is a nationwide network of disability attorneys. For more information about the Special Needs Alliance, visit its website at [www.specialneedsalliance.com](http://www.specialneedsalliance.com).

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