

RETIRE SMART

Housing Slump Reduces Choices

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By Mark Miller

For a growing number of older Americans, the housing slump has changed the concept of aging in place from a lifestyle choice to the only choice.

The slow real-estate market, almost frozen in many parts of the country, has made it difficult for senior citizens to sell their homes when the time comes to move for health or lifestyle reasons.

After Social Security, real estate is the most important financial asset for most senior citizens. Many have built substantial equity in their homes, which they expected to use in the event they needed to move into a retirement community that offers health-care services.

Also feeling the crunch are continuing-care retirement communities, which require a large upfront payment. Such places allow senior citizens to stay in a single location that can meet their health-care needs for the remainder of their lives.

"It's usually structured so that you can take equity from the house, make that your entrance fee, then pay monthly based on need," says Larry Minnix, chief executive officer of the American Association of Homes and Services for the Aging.

Applications for retirement communities are declining, and some communities are responding by providing assistance to would-be home sellers.

"Some are suspending or postponing entry fees," Minnix says. "Others are providing bridge loans or retaining real-estate specialists to help people prepare and sell their homes. Everyone is trying to get creative in providing help."

Reverse mortgages are another potential source of help. New federal rules that took effect in January make it possible to use these home-equity conversion mortgages to purchase a new home. While a conversion mortgage can't be used for moves into retirement communities in which the residents don't have equity, the new rule can help facilitate sell-and-buy transactions by giving the seller the flexibility to accept a lower price and still afford a move.

With conversion-mortgage loans, the percentage of equity you can borrow is roughly 10 percent less than your age. So a 75-year-old individual seeking to buy a \$300,000 home could get 65 percent of the equity as a loan -- roughly \$200,000. The new rules don't

permit any other mortgage loans on the new property, so the balance must be funded with cash from the seller's previous home.

Of course, the other option is aging in place. Aging in place is the most attractive choice for many. A 2007 AARP survey found that 89 percent of Americans would like to live in their current homes as long as possible.

But the survey also showed that few people have taken steps to modify their homes to accommodate aging.

Aging in place also creates challenges for communities to provide the services that aging residents will need -- such as one-stop shopping locations, shuttle services and community centers.

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