

ACTIVE AGERS' INTEREST IN REVERSE MORTGAGES

Insights from the
Age of Majority Research Team



Several external forces are at play that may turn reverse mortgages into an essential financial tool for older adults in the future.

METHODOLOGY

Active Agers, who are members of Age of Majority's Revolution55 community (all ages 55+), were asked to share their thoughts on reverse mortgages.

806 participants responded to a survey that was conducted between September 30, 2021 to October 8, 2021.

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Introduction

The first reverse mortgage (aka Home Equity Conversion Mortgage) was issued by a bank in Portland, Maine in 1961. Since that time, they have undergone significant changes to make it a safer and more widely accepted and used financial vehicle today.

It is estimated that only 2-3% of eligible Americans have a reverse mortgage today yet several forces are at play that may turn them into an essential financial tool for older adults in the future.

Given the potential growth opportunity for reverse mortgages, Age of Majority wanted to learn more about older adults' understanding and perception of these products, along with reasons for using them and barriers that need to be overcome.

Key Takeaways

The majority of older adults have a solid understanding of what reverse mortgages are, however, there is a high level of negative feelings towards them.

Mortgage companies and professional brokers have an opportunity to significantly expand interest levels and increase close rates by better understanding the hot buttons and trigger points associated with reverse mortgages.

HIGHLIGHTS

- The majority of older adults have a solid understanding of what reverse mortgages are
- Only a small percentage of those eligible for a reverse mortgage have one
- Considerable stigma around reverse mortgages still exist as almost half of active agers have negative feelings about them
- Selling or downsizing a home are the main options being considered instead of a reverse mortgage
- Awareness for reverse mortgages is driven largely by TV and radio ads

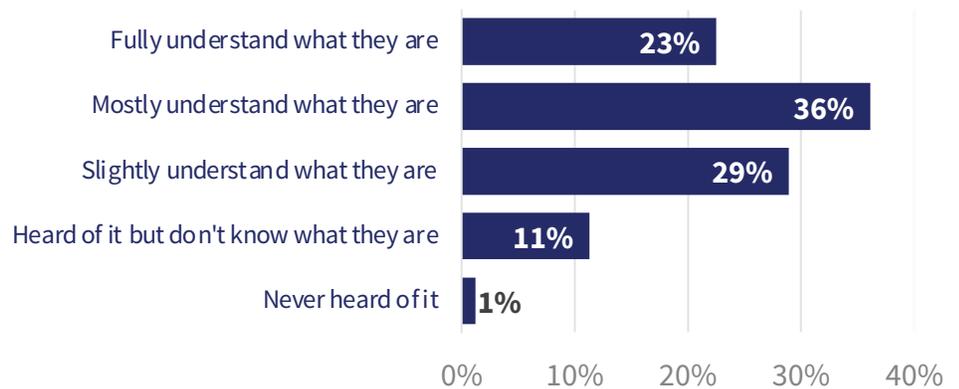
Detailed Findings

i. Understanding of Reverse Mortgages

Almost 60% of older adults in general have a solid understanding of what reverse mortgages are (23% fully understand and 36% mostly understand them) compared to 29% who slightly understand them and 12% who have no understanding of what they are. See Figure 1 below.

Of the 81% of Active Agers who could qualify for a reverse mortgage, 29% of them would potentially consider getting one in the future.

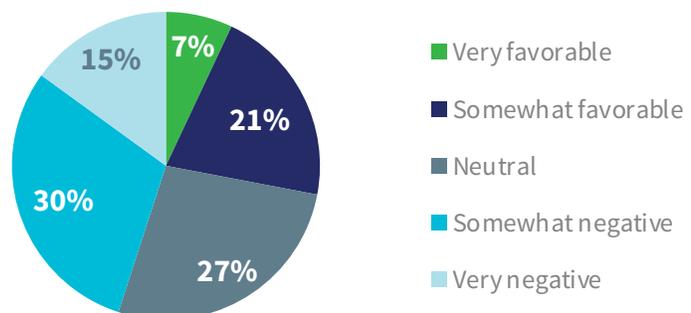
FIGURE 1. GENERAL UNDERSTANDING OF REVERSE MORTGAGES



ii. Feelings towards Reverse Mortgages

Despite the messaging and consumer education around the benefits of reverse mortgages, there continues to be a high level of negative feelings towards this financial tool. 45% of older adults are somewhat or very negative about them compared to 28% who view them in a favorable light. See Figure 2 below.

FIGURE 2. GENERAL FEELINGS TOWARDS REVERSE MORTGAGES



“ I WOULD LIKE A BETTER UNDERSTANDING OF HOW THEY WORK AND WHAT THE RISKS ARE IN HAVING ONE.



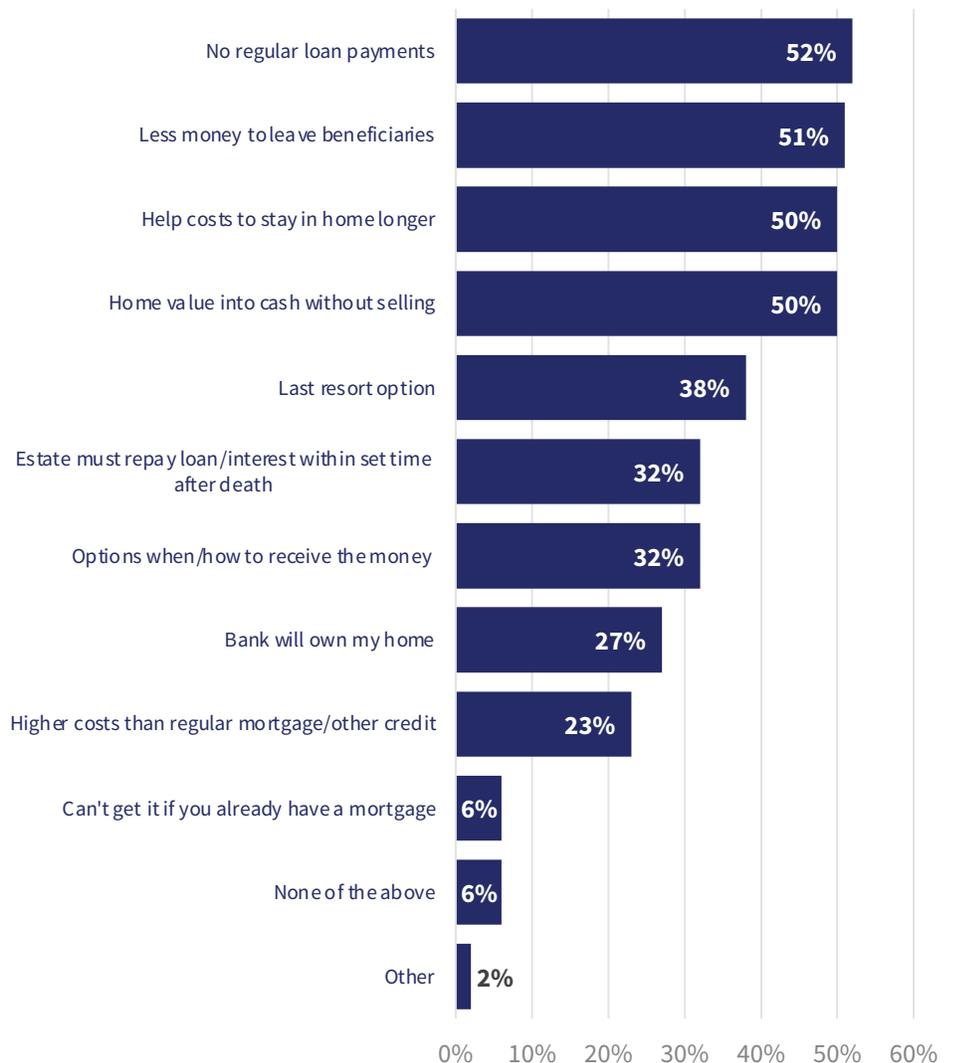
Covering living expenses is the #1 reason why older adults would consider obtaining a reverse mortgage.

iii. Attributes associated with Reverse Mortgages

There is a mix of real or perceived attributes associated with reverse mortgages amongst older adults that likely plays into the differences in understanding what they are. See Figure 3 below.

There are also a wide variety of reasons why someone might want a reverse mortgage now or in the future, with 44% of older adults seeing it as a way to cover living expenses while 38% would use the money to make their homes more age-friendly. Those who have no interest in getting a reverse mortgage either see them as a last resort (44%) or believe there are better alternatives for financing their needs (42%).

FIGURE 3. ATTRIBUTES ASSOCIATED WITH REVERSE MORTGAGES

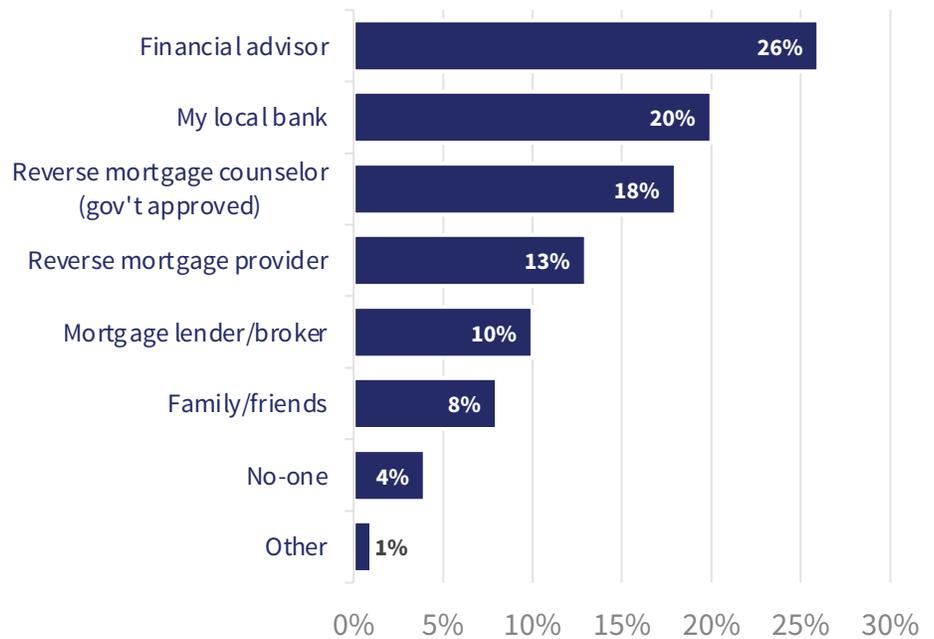


“ I WOULD HAVE TO
BE NEAR
DESPERATE FOR
QUICK CASH.

iv. Advice about getting a Reverse Mortgage

Financial advisors are the most popular source for obtaining advice by potential borrowers followed by local banks and then reverse mortgage counselors and providers. See Figure 4

FIGURE 4. MOST LIKELY TO GO TO FOR ADVICE ABOUT GETTING A REVERSE MORTGAGE



In terms of hearing about reverse mortgages, 72% of older adults listed TV/radio ads as a reference point, followed by print ads and family/friends both at 22%.



FOR MORE INFORMATION

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