



AARON HARRIS FOR THE TORONTO STAR

Mortgage broker Darlene Vilas, right, helped Belle Acer, 70, obtain a reverse mortgage on an 1843 farmhouse Acer inherited in Quebec's eastern townships. The \$340,000 reverse mortgage helped Acer renovate the house to be more comfortable, pay off her car loan and credit card bill, and left her with cash to invest in securities for the future.

REVERSE MORTGAGES

Seniors get help from their homes

CHIP program enables cash-strapped people over 60 to unlock some of the value of their real estate

PAUL DALBY
SPECIAL TO THE STAR

The day Belle Acer inherited her mother's 1843 farmhouse, it was definitely a mixed blessing.

The large rambling home, built on dry stone wall foundations, first bought by her grandfather 100 years ago, had not exactly moved with the times. Electricity was only a recent innovation. Wallpaper was peeling off the walls.

"It didn't look very good and I wanted to modify it," said Acer, 70, during a recent visit to her son's Oakville home. "But I am a pensioner, so I had no real money coming to me."

After consulting with mortgage broker Darlene Vilas, Acer found a relatively happy solution to a headache she and many seniors now face: Being house-rich but cash-poor.

Acer took out a reverse mortgage of \$380,000 on the rural property, worth about \$2 million, in Quebec's eastern townships.

The reverse mortgage not only paid for an extensive renovation of the home, but also covered her car loan, her credit card bill and left money over to buy investments (se-

curities) for the future.

"It's almost totally renovated now, with new windows, insulation, new flooring, a new addition with a full bathroom, and I changed from an oil furnace with a great big oil tank to electric heating," said Acer, a retired secretary.

"It's made the house warmer and much nicer for when my family comes to visit."

Vilas, of Mortgage One Solutions in Mississauga, says she has a rapidly growing portfolio of seniors like Acer, for whom the CHIP mortgage is more like "stress relief."

CHIP stands for Canadian Home Income Plan. It is the only reverse mortgage plan available in Canada.

"No one wants to see people in their later years being stressed over their finances. This is an option for them," Vilas said. "We are all aging. Our stock market funds haven't performed the way we would have liked. And here you have your home, which is a pretty nice asset."

"Why should they have to leave their homes after retirement? There are so many emotional ties to their property."

CHIP may not be for everyone, she says, but the reverse mortgage

works for some seniors. She started her own website to help people make informed decisions: www.reversemortgageadvantage.ca. "It's great to be able to say to someone in their 80s, 'Here's \$100,000 — enjoy yourself!'" Vilas said.

This all points to a trend among today's seniors in Canada ignoring their own parents' stern advice to always, always go into retirement debt free.

"We're definitely seeing a shift in attitudes towards retirement," says Greg Bandler, senior vice-president of HomeEquity Bank, which operates the CHIP program.

"Statistics show that 77 per cent of seniors' net worth is tied up in the home.

"That home, of course, is their main liquid asset, and, in today's dollars, it's consuming more in maintenance and property taxes than it used to."

Bandler believes the boomer generation now reaching age 65 will live longer, spend more and save less.

"That means they're looking to their home as a major part of their retirement plan, to unlock some of that value and put it to use for themselves, so that they can enjoy their retirement," he said.

It amounts to a boom in business for the CHIP program, which re-

ceived a major shot in the arm 18 months ago when its parent company, HomeEquity, was granted its schedule-one bank licence.

CHIP's current interest rates on a reverse mortgage range from 4.77 per cent on a variable-rate term to 6.35 per cent on a five-year term, which is much closer to the rates for conventional mortgages and loans charged by other lenders.

"If you are 65, just retired and you want to take out a line of credit on

Edward County, widowed two years ago and facing a decision to renovate her home of 38 years or sell and downsize to an apartment.

"I had become kind of attached to the place, so I decided I would renovate and redecorate so that it suits me as I get older," said Armstead, 72, a retired health records technician.

She took out a \$65,000 CHIP mortgage on her paid-for home, valued at around \$275,000. New energy-efficient doors, windows and a high-efficiency furnace were part of her renovation, but she also repainted every single room herself to save money.

"I don't look at it as being in debt, I figure I am just taking the money out of the house and putting it back into it," she said.

Armstead also consulted her financial adviser at the Bank of Nova Scotia before taking out a reverse mortgage, a course of action HomeEquity recommends for its clients.

The CHIP website (chip.ca) clearly spells out the extra charges involved.

Seniors should set aside about \$2,500 for costs to cover the property appraisal fee of \$175 to \$400; independent legal advice at \$300 to \$600, and legal and closing costs at a fixed fee of \$1,495.

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DARLENE VILAS,
MORTGAGE BROKER

your home . . . well, if you cannot show a steady income stream, it's going to be a difficult situation for you. You've got to be able to service that debt," Bandler said. "With the CHIP program, no payments are required, but no income, health or credit qualifications are required. That's quite unusual for any program."

Those were all persuasive arguments for Joyce Armstead in Prince