Home Equity and Enhanced Retirement Security: Understanding the Views of Older Homeowners & Financial Advisors

Research Findings Presented by The National Council on The Aging

Eileen J. Tell and Amy Ford*

Eileen J. Tell Is Principal and Owner with ET Consulting, LLC.
Amy Ford Is Senior Director, Home Equity Initiatives and Social Accountability, National Council on Aging

*Data analysis provided by Stephanie Moulton and Todd Ives
Stephanie Moulton is Associate Professor, Ohio State University, and Todd Ives graduated from The Ohio State University with his Master's degree in Public Affairs.

National Council on Aging ■ 251 18th Street South, Suite 500 ■ Arlington, VA 22202 571-527-3900 ■ ncoa.org ■ @NCOAging

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EXECUTIVE SUMMARY

Introduction

Many older adults are neither financially nor emotionally prepared for the issues they will face in retirement. Specifically, over 80% of consumers are concerned about outliving their retirement savings and just under 70% are concerned about being able to live comfortably in retirement.[1] Results from the Employee Benefit Research Institute's (EBRI) 2014 Retirement Security Study indicate that 43% of early baby boomers are not financially ready for retirement.[2] Among senior homeowners, nearly 37% indicate they are concerned about their financial situation in retirement.[3]

A significant asset for many seniors is the equity in their homes. More than 80 percent of senior households in the U.S. own their home, and nearly half of the net worth for the median senior is in the form of home equity.[4] As of 2013, the average senior in the U.S. had about $200,000 in home equity.[5] Additionally, most older adults express a desire to remain in their current homes. Prior research finds that 78 percent of homeowners age 65 and older report that they would like to stay in their current residence as long as possible.[6] Given the desire to remain at home, and the importance of home equity as part of the financial portfolio of the majority of older adults, it is important to understand seniors' perceptions of the options available to them to use home equity to meet retirement needs.

Some homeowners may prefer the option to access home equity by selling the home and downsizing. Other options for accessing home equity are to borrow through loan vehicles such as home equity lines of credit (HELOCs), second loans, cash out refinancing of a first mortgage, or borrowing through a reverse mortgage, the most common type of which is the federally insured Home Equity Conversion Mortgage (HECM). But prior research indicates that seniors are reluctant to borrow against home equity. According to data from Fannie Mae's 2016 National Housing Survey, only 6 percent of seniors indicated that they were somewhat or very interested in tapping into home equity in retirement. Part of this reluctance may be due to lack of familiarity with the home equity release products available.

Of those seniors who extract home equity through borrowing, the dominant loan vehicle among older homeowners is the HELOC, followed by home equity loans (second loans). Together, these two borrowing channels represented 86% of the home equity lending market in 2016.

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[1] NCOA, Martino Flynn/Mintel Compperermedia, 2016
[2] Jack VanDerhei, Why Does Retirement Readiness Vary: Results from EBRI's 2014 Retirement Security Survey.
[3] Fannie Mae National Housing Survey Q2 2016 Topic Analysis, "Older Homeowners: Accessing Home Equity in Retirement." http://www.fanniemae.com/resources/file/research/housingsurvey/pdf/Q2-2016-accessing-home-equity-in-retirement.pdf
[4] Authors' calculations using the Federal Reserve Board's 2013 Survey of Consumer Finances.
[5] Rosnick, David, and Dean Baker. 2014. The wealth of households: An analysis of the 2013 Survey of Consumer Finances. Washington: Center for Economic and Policy Research.
[6] Keenan, T. A. (2010). Home and community preferences of the 45+ population. Washington, D.C.: AARP

Specifically, the home equity lending market in 2016 to homeowners age 62 and older is characterized as follows[7]:

- 185,000 HELOCs;
- 110,000 home equity loans (second loans); and
- 48,000 reverse mortgages, or HECMs.

An important question is why the reverse mortgage, or HECM, represents only a small portion of the current home equity release product market. In part, the difference may derive from lack of familiarity with the product. According to the Fannie Mae study, while 62 percent of older homeowners indicated familiarity with HELOCs, fewer than half indicated familiarity with reverse mortgages.[8]

Purposes of this study

In 2016, with a grant from Reverse Mortgage Funding LLC, the National Council on Aging (NCOA) commissioned a series of research studies administered by Martino Flynn. The primary purpose of this research was to better understand the factors associated with the willingness of older adult homeowners to consider drawing from home equity, as well as the barriers that prevent seniors from considering home equity release options in retirement. The research also included an experimental module testing the impact of product name (all else equal) on the perception of reverse mortgages and HELOCs among older homeowners and financial advisors.

The research included the following components:

- An on-line quantitative survey with a geographically representative sample of 1,002 older homeowners who did not currently have a Home Equity Line of Credit (HELOC) or a reverse mortgage (HECM);
- An on-line survey with 254 financial advisors; and
- A series of 13 focus groups with 112 homeowners ages 60 to 75. For the focus groups, about half the sample had currently or recently obtained a HELOC and the other half had never done so.

This research report presents findings from an analysis of the survey data as well as insights from the focus groups. In this Executive Summary, we highlight four key findings:

1) Many senior homeowners are reluctant to draw from home equity in retirement;
2) Seniors who are willing to consider accessing home equity have more concerns about their retirement;
3) Opinions about home equity loan products are significantly influenced by the use of product names, all else being equal. Among both consumers and financial advisors, perceptions of a prototypical reverse mortgage product are more favorable compared to

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[7] Data provided by Reverse Market Insight, with analysis by Martino Flynn based on 2016 MRI Database. These estimates are based on homeowners age 62 and older, and exclude HELOCs or home equity loans originated as part of a new first mortgage (within the same 12 month period).

[8] Fannie Mae National Housing Survey Q2 2016 Topic Analysis, "Older Homeowners: Accessing Home Equity in Retirement." http://www.fanniemae.com/resources/file/research/housingsurvey/pdf/Q2-2016-accessing-home-equity-in-retirement.pdf

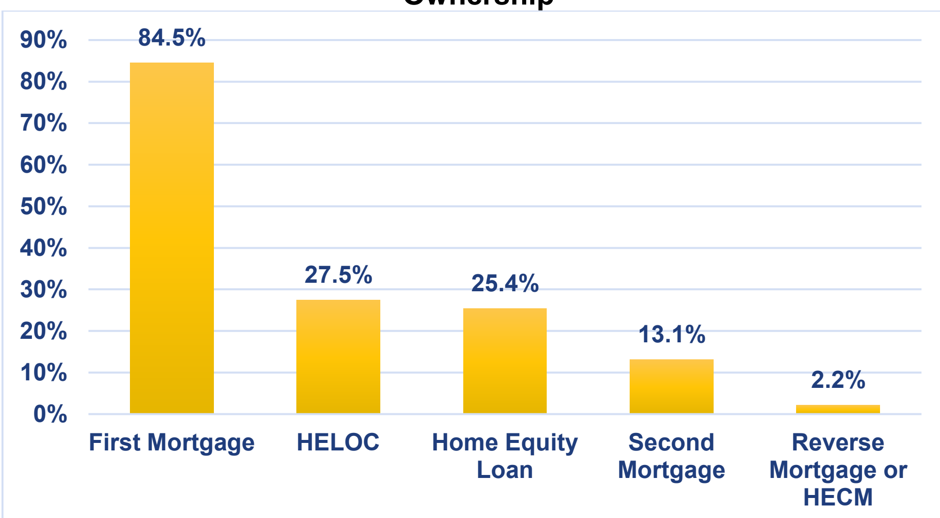
a prototypical home equity line of credit when product attributes are presented without the product name; and

4) Consumers express an interest in unbiased information about home equity release options.

Senior homeowners are reluctant to draw from home equity in retirement

The survey asked respondents about their prior and current use of home equity release options. Figure 1.1 shows the proportion of respondents who indicated that they either currently or previously owned a specific type of home equity release product. As expected, a first mortgage was the most common type of home equity product this population has had, or currently owns; only 15% of the sample never had a first mortgage. Also, about 39% of survey respondents indicated they currently have a first mortgage, which is similar to the general population of senior homeowners.[9] About one quarter of respondents previously owned a HELOC and/or a second mortgage, and only about 2% have had a prior HECM or other type of reverse mortgage.

Figure 1.1: Profile of Current* and Prior Home Equity Product Ownership



N = 1,002. Question S40 "Please indicate whether you currently own, have previously owned, or have never owned each type of financial product for your **primary residence**."

* The survey design excluded anyone who currently had a HELOC, home equity loan or a reverse mortgage so the numbers shown above for those products specifically reflect prior home equity product ownership, while the first and second mortgage figures apply to both prior and current product ownership.

While the survey population was intended to be a representative sample, there are some important differences regarding the generalizability of the survey results. The survey sample had a higher level of education relative to seniors in the general population. Additionally,

[9] Authors' calculations using the Federal Reserve Board's 2013 Survey of Consumer Finances.

respondents in this survey tended to be wealthier than senior homeowners in the general population. Additionally, on average, home equity comprises about one-third of respondents' total net wealth, compared to 58% of net wealth for the median senior in the general population.[10] In this report, results are presented for two populations of senior homeowners – those for whom home equity is 50% or more of their net wealth and those for whom it represents a smaller portion of net wealth. For one in four respondents in the survey sample, home equity represents more than 50% of their total net wealth. This is substantially lower than in the general population, where home equity comprises the majority of net wealth for just under half (49%) of senior homeowners ages 62 and older.[11]

Despite a desire to stay in their current homes and high levels of retirement concerns, senior homeowners in the survey sample report being reluctant to use home equity to address retirement concerns. Specifically, only 20% of survey respondents indicated that they would "definitely" or "probably" draw on home equity in retirement, while 28% said they definitely would not consider purchasing any home equity product.

A substantially larger proportion of homeowners report being uncertain about whether or not they will draw on home equity, with this uncertainty varying by product type as indicated in Table 1.1. (While 59% of respondents indicate they definitely would not purchase a second lien, this likely reflects the fact that 60% of the sample population does not have a first mortgage, and thus would not likely be eligible for a second mortgage). Across most product types, 39% to 59% of respondents indicate that they would definitely not consider a particular borrowing channel—these being the seniors most averse to borrowing from home equity. That leaves only a small portion across all home equity product options, less than 15%, who said they "definitely" or "probably" would purchase a home equity product.

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[10] Moulton, Stephanie, Caezilia, Loibl and Donald Haurin. 2017. Reverse Mortgage Motivations and Outcomes: Insights from Survey Data. Cityscape 19(1).
[11] Authors calculations using the Federal Reserve Board's 2013 Survey of Consumer Finances.

Table 1.1: Willingness to Consider Home Equity Release Products

Home Equity Release Product	Definitely or Probably Purchase	Maybe or Probably Not Purchase	Definitely Not Purchase
Home Equity Line of Credit	12%	49%	39%
Home Equity Loan	10%	51%	39%
Home Equity Conversion Mortgage (HECM)	10%	43%	47%
Second Mortgage	10%	31%	59%
Reverse Mortgage	9%	31%	50%

N = 1,002. Source: QS50 "How likely would you be in the future to purchase each of the following products for your primary residence." Responses listed in rank order based on responses of interest.

Seniors who are willing to consider home equity had more concerns about their retirement

Another purpose of this study was to identify factors associated with willingness to consider home equity release options in general and a reverse mortgage specifically. Factors considered included demographic and financial characteristics, as well as a wide variety of different types of retirement concerns.

A descriptive comparison of survey respondents indicated that those who were more willing to consider home equity extraction products also tended to be more concerned about their retirement on a variety of dimensions than those who would not consider using home equity products. Further, retirement concerns tended to be even higher for those willing to consider a reverse mortgage as an extraction option. Table 1.2 summarizes these differences on key items of concern.

Having sufficient money to live comfortably in retirement, running out of retirement savings and concerns about Social Security not being enough were expressed by more than 70% of respondents who were willing to consider using home equity products, but only about half of respondents who would not consider using home equity products express such concerns. Further, 85% of those who said they were willing to consider home equity products reported being concerned about medical expenses and 70% expressed concern about maintaining their home. Interestingly, only about one-third of respondents expressed concern about having enough money to leave to their heirs, and this concern did not differ for those who were willing or not willing to borrow from equity.

Table 1.2: Retirement Concerns, by Willingness to Consider Borrowing from Home Equity

Concern	Would Consider a Reverse Mortgage		Would Consider Using Home Equity Products	
	No	Yes or Maybe	No	Yes or Maybe
Having enough money to live comfortably in retirement	60%	78%***	57%	74%***
Being able to pay for everyday living expenses	42%	58%***	43%	53%**
Out living your retirement savings	60%	78%***	56%	74%***
Paying off Debt	23%	33%***	20%	31%***
Maintaining my home	55%	73%***	51%	70%***
Ability to make needed or desired major purchases	50%	68%***	45%	64%***
Having enough money to travel	47%	59%***	43%	56%***
Having money for medical care	77%	88%***	76%	85%***
Social Security not being enough	61%	73%***	61%	70%**
Having enough money to leave to my heirs	34%	31%	36%	31%
Observations	505	497	278	724

Asterisks indicate the statistical significance of t-tests of the difference between “No” and “Yes/Maybe” responses: ***p<0.01, **p<.0.05, *p<0.1

The analysis also revealed differences in concerns about retirement based on whether or not equity in the home is the primary asset (defined as comprising 50% or more of net wealth). These results are shown in Table 1.3. Where home equity is the primary asset, respondents had a higher degree of concern about having enough money to live comfortably, being able to afford everyday living expenses, handling debt, maintaining the home including making needed or desired major purchases, and having money for medical care.

Table 1.3: Retirement Concerns by Home Equity as a Percent of Net Wealth

Concern	Home Equity is 50% or More of Net Wealth	Home Equity is Less than 50% of Net Wealth
Having enough money to live comfortably in retirement	81%	64%***
Being able to pay for everyday living expenses	64%	46%***
Outliving your retirement savings	70%	67%
Funding education	9%	10%
Consolidating debt	26%	14%***
Paying off debt	37%	24%**
Maintaining my home	77%	59%***
Ability to make needed or desired major purchases	78%	54%***
Having enough money to travel	54%	53%
Having money for medical care	88%	80%**
Increasing medical expenses	88%	85%
Social Security going away	70%	66%
Social Security not being enough	79%	60%***
Having cash for emergencies or urgent needs	79%	59%***
Providing financial help to family	38%	36%
Having enough money to leave to my heirs	36%	32%
Observations	180	529

Asterisks indicate the statistical significance of t-tests of the difference between responses for those with home equity <50% and >=50% of net wealth: ***p<0.01, **p<.0.05, *p<0.1

Many of these retirement concerns are likely correlated with one another and are correlated with demographic and financial characteristics such as income or savings. To better isolate the specific factors associated with willingness to borrow from home equity, a series of multivariate regression analyses were conducted. These analyses examined factors associated with willingness to use home equity generally, and willingness to consider a reverse mortgage.

From these analyses, we found that single males, those with lower incomes (<$50,000 per year) and higher value homes (above $300,000), those who have lived in their home for a shorter period of time (< 16 years), and those who previously held a HELOC were more likely to consider drawing on home equity in retirement. Those for whom home equity is their primary asset were also more likely to indicate a willingness to draw from home equity in retirement. (Table 2.9B in the report shows the results of the multivariate analyses).).

The retirement concerns that were found to be significantly associated with willingness to consider home equity, even after controlling for demographic characteristics, included being concerned about home maintenance, having enough money in retirement and paying off debt. Finally, those who are not concerned about leaving an inheritance from their home are more likely to consider borrowing from home equity.

Many of the same factors emerged as significant predictors of willingness to consider a reverse mortgage (HECM), with a few notable differences. Those with lower incomes (household annual income is less than $50,000 and incomes between $50,000 and $100,000) were less likely to say that they "definitely would not purchase" a reverse mortgage. This finding is unique to reverse mortgages as this was not observed for home equity extraction products generally. Similarly, having home equity as the primary asset did not emerge as statistically significant in whether or not one would consider a reverse mortgage, even though those with more net wealth tied up in home equity did express more willingness to leverage home equity in general. Those who have not paid off a forward mortgage were significantly more likely to say that they were interested in a reverse mortgage, as were those who were concerned about medical expenses. Younger seniors were also more likely to indicate a willingness to consider a reverse mortgage. Other demographics, including prior HELOC ownership, were not statistically predictive of someone who indicates that they would not take a reverse mortgage. These findings are summarized in Table 1.4 below.

Table 1.4: Regression Analysis: Factors Significant in Product Use

	Would Consider Drawing from Home Equity in Retirement	Neutral or Would Consider Reverse Mortgage
Demographic Characteristics	Gender males	Gender males Younger
Income	Not Significant	Lower incomes (<$100,000)
Home Equity	Higher levels of home equity (above $300,000)	Not Significant
Home Equity as Percent of Net Wealth	Home equity represents 50% or more of net wealth	Not Significant
Tenure in the Home	Shorter tenure in home (< 16 years)	Shorter tenure in home (<16 years)
Mortgage paid off	Home mortgage not paid off	Home mortgage not fully paid off
Credit score	Lower credit scores (<785)	Those with subprime credit scores (<677) less resistant
Retirement Concerns	Concerned about: Home maintenance Money in retirement Paying off debt	Concerned about: Home maintenance Money in retirement Medical expenses
Bequest objectives	Not concerned about leaving inheritance	Not concerned about leaving inheritance
Prior product ownership	Previously owned a HELOC	Not Significant

The focus group respondents also expressed greater concern with tapping into home equity solutions where they also had desires for family to either inherit the home outright or receive some proceeds from its sale. While other variables also play a role in this dynamic, the concerns for family, across a number of domains, play strongly into attitudes about leveraging home equity in retirement.

The reverse mortgage name, all else equal, reduces consumer interest in the product
An important component of the research was to explore consumer response to the attributes of two home equity release products – a Home Equity Line of Credit (Loan Type A) and a Reverse Mortgage Line of Credit (Loan Type B). The hypothesis of the experiment was that consumers may discount the value of the reverse mortgage line of credit because of the name, all else being equal, rather than because it has features seen as less preferable for a home equity product.

In the survey, respondents were randomly assigned to receive either a “named” or “not-named” description of these two home equity extraction products. The not-named group reviewed descriptions titled “Loan Type A” and “Loan Type B” (i.e., without product names). The control group reviewed the same descriptions but with their associated product names – specifically using the terms Home Equity Line of Credit or Reverse Mortgage Line of Credit.

The Product Name Experiment was structured slightly differently in the focus groups. Specifically, consumers were asked to evaluate each loan product, described only as Loan Type A or Loan Type B. They individually indicated which features they liked, disliked or found confusing. Consumer evaluations were then discussed and product preferences (by loan type) were identified. The discussion continued after the names of the loan products were revealed.

It is important to note that the Product Name Experiment was designed to specifically test consumer response to loan product features—outside of the context of price and cost information—as a first step in better understanding how consumers perceive the different types of home equity release products. To this end, the loan product descriptions purposefully omitted information on product fees and costs by design. The experiment tested consumer preferences for a generic reverse mortgage line of credit as compared to a home equity line of credit.

While cost differences, product details, and product complexity likely all influence consumer choice, some of these details are variable and subject to changes in policy and product design over time. This experiment sought to compare hypothetical products based on some of the core differences in how the products work to see if simply using the “reverse mortgage” name would influence consumer preferences. The underlying hypothesis was that, if product name alone results in a negative association with a reverse mortgage line of credit, consumers and financial advisors may never move to the higher level comparison of loan product options, including price and perceived value of that product relative to its cost in the context of a specific borrower situation.

Product descriptions were carefully constructed to include product features other than costs and fees. Experts from the financial services industry, university-based researchers working on home equity products, and the National Council on Aging (NCOA) policy staff guided the development of the product descriptions used in the Product Name Experiment for both the quantitative and qualitative study components. (While the research methodology varied somewhat, the same product language was used in both study components). Further research on specific consumer preferences for actual products on the market today, including details such as lending limits, fees, and borrowing costs, is a critical next step in better understanding consumer views and concerns with regard to the various options for leveraging home equity in retirement.

The product descriptions used in each component of the research are shown as an endnote to the Executive Summary and are also presented in the text of the report.

The survey and focus groups revealed a consistent negative perception of the name "Reverse Mortgage Line of Credit" relative to the name "Home Equity Line of Credit." When presented without product names, 58% of consumers in the survey experiment preferred the Reverse Mortgage Line of Credit (presented as "Loan Product B"), compared with 42% who preferred the Home Equity Line of Credit (Loan Product A). By contrast, when presented with product names, only 32% of consumers preferred the Reverse Mortgage Line of Credit, while 68% preferred the Home Equity Line of Credit. These differences persist when controlling for other possible differences between the two groups through multivariate analysis.

Table 1.5: Consumer Preference of Loan Product: Product Name Experiment

Not Named		Named	
HELOC (Loan Product A)	Reverse Line of Credit (Loan Product B)	HELOC (Loan Product A)	Reverse Line of Credit (Loan Product B)
42%	58%**	68%	32%**

N=1,002. Asterisks indicate the statistical significance of t-tests of the difference between the percent who preferred the HELOC/Loan Product A and the percent who preferred the RLOC/Loan Product B: ***p<0.01, **p<.0.05, *p<0.1. Source: P30. "Comparing [Line of Credit A/HELOC] and [Line of Credit B/Reverse Line of Credit], which would you be more likely to select if you needed or desired to borrow money against your home's equity?"

The same results were obtained in the focus group testing. Overwhelmingly, consumers in the focus groups preferred the Reverse Mortgage Line of Credit, which was presented to them as "Loan Product B" over the HELOC (presented as "Loan Product A"). Although respondents were surprised at the reveal that they "preferred" the reverse mortgage over the more familiar HELOC product, in the focus group discussion, interest and preferences did not change. Prior to the product name reveal, participants identified features they preferred about Loan Product B and concerns they had with Loan Product A. Detailed product responses are described in the body of this report. Additionally, participants acknowledged their limited prior understanding of how both products work and an interest in learning more about reverse mortgages.

Financial advisors are also negatively influenced by the product name "reverse mortgage"

A similar name influence was revealed among the 254 financial advisors surveyed. For those in the "not-named" group, 49% of advisors said they would recommend Line of Credit B (the Reverse Mortgage Line of Credit) compared with 27% willing to recommend Line of Credit A (HELOC). For the group of financial advisors presented with product descriptions using product names, the likelihood of recommending a Reverse Mortgage Line of Credit dropped down to 28% and the likelihood of recommending a HELOC rose to 52%. The research also revealed great disparity in the level of knowledge and comfort among financial advisors about the Reverse Mortgage Lines of Credit, indicating an opportunity to educate these professionals about home equity options.

Financial advisors who reported being more familiar with the Reverse Mortgage Line of Credit had the most positive regard for the product. In general, Certified Financial Advisors (CFAs) and Certified Financial Planners (CFPs) were more supportive of reverse mortgages, and were more willing to recommend them and to see them as an important business component than were other advisor types. Additionally, advisors whose business focus was on real estate were more likely to feel knowledgeable about the Reverse Mortgage Line of Credit, while surprisingly, advisors focused on retirement planning were less likely to feel knowledgeable about the reverse mortgage line of credit. Financial advisors whose firms focus on real estate had a greater understanding of how the product works and also had more favorable attitudes toward it as compared with firms focused on either retirement planning or mass affluent clients.

Table 1.6: Financial Advisor Product Preference: Named vs. Not-Named

Not Named			Named		
HELOC (Loan Product A)	**Reverse Line of Credit (Loan Product B)**	**No Preference**	**HELOC (Loan Product A)**	**Reverse Line of Credit (Loan Product B)**	**No Preference**
27%	49%**	24%	52%	28%**	20%

N=254. Asterisks indicate the statistical significance of t-tests of the difference between the percent who preferred the HELOC/Loan Product A and the percent who preferred the RLOC/Loan Product B: ***p<0.01, **p<.0.05, *p<0.1. Source: V40: "Of the two products that you compared….which would you feel more inclined to recommend to a homeowner who wanted to access home equity value to meet expenses in retirement?"

Consumers express an interest in unbiased information about home equity release options

The survey and the focus groups sought to understand the role of unbiased information about home equity release options. Both the survey and focus groups explored consumers' interest in learning more about home equity release products in general and reverse mortgages specifically, and if they would prefer to receive this information from a third-party nonprofit organization. Additionally, consumers were asked if they would have more confidence in considering such products if they knew that the products met independently established standards of excellence on a variety of product domains.

About one-fourth of survey respondents (27%) indicated that they would be more likely to consider a reverse mortgage if they knew that lenders met independently defined criteria established and measured by a national nonprofit organization. About one-third (34%) said they would be more likely to consider a reverse mortgage if a nonprofit organization evaluated the lender's reverse mortgage product against independently created standards of excellence.

Conclusions

The desire among older homeowners to age in place and maintain quality of life in retirement is at odds with their understanding of various options for leveraging home equity as a retirement resource. This research shows that homeowners tend to have negative perceptions of home equity release products including reverse mortgages. Given that home equity is a substantial share of net worth for many older adults, it is critical that they have access to the most objective and up-to-date information about whether and how to safely access home equity to meet the large and growing financial concerns they face in retirement.

The product name experiment revealed that product name appears to drive consumer and financial planner preferences for specific home equity products, regardless of the information presented about the product. This is likely due to negative associations with the reverse mortgage name as well as additional information (accurate or inaccurate) that the product name brings to mind for individuals. Education and awareness is needed so that consumers can make informed decisions about whether or not a specific home equity solution is appropriate for them. In this research, consumers acknowledge limited understanding of these products and a desire for information from independent third-party groups.

ENDNOTE: PRODUCT DESCRIPTIONS USED IN PRODUCT NAME EXPERIMENT

In this next section, we will ask you to compare two products (A & B). Please assume that the total costs and fees for both products are about the same. Both A and B are line of credit products for accessing your home's equity to meet expenses. Please review the following product descriptions carefully and answer the questions that follow. On each page, you will be able to click a link to view each product description again.

Line of Credit A/Home Equity Line of Credit

> *The [line of credit] has a variable interest rate that will fluctuate over the course of the loan up to a lifetime interest "cap" or maximum. You will have access to the line of credit for a period of 10 years. During this time, you can write checks to use the [line of credit] up to the pre-determined credit limit. During this "draw down" period, you will need to make minimum payments equal to the interest on the outstanding balance. Interest paid on this line of credit may be tax-deductible. You can pay more than the minimum payment at any time.*
>
> *After 10 years, you may no longer borrow any money from the [line of credit]. Required minimum payments will be recalculated to include both interest and principal and will increase accordingly.*
>
> *If at any time during the life of the [line of credit], should the home's value decrease significantly, the lender has the right to freeze or reduce the amount of the money available to you. The [line of credit] could also be frozen if your income declined substantially or if you failed to make scheduled monthly payments.*
>
> *Because the home is used as collateral for the loan, if you fail to make required minimum payments on the loan or if you do not pay property taxes or homeowners' insurance, the home is subject to foreclosure.*
>
> *When you sell the home, you (or your heirs) are required to pay back the loan balance in full. If the value of the home declines and you owe more than the house is worth, you are still responsible for the full balance on the loan.*

Line of Credit B/Reverse Line of Credit

This [line of credit] has a variable interest rate that will fluctuate over the course of the loan up to a lifetime interest "cap" or maximum. With the [line of credit], you may choose to let the interest rate change monthly or lock in the rate to change only once a year.

For this [line of credit], there is no mandatory 10-year maturity date. The [line of credit] funds may be used at any time up until the loan is eventually repaid when all borrowers leave the home permanently, sell the home, or pass away. The lender cannot reduce or freeze the money available to you. In fact, the unused [line of credit] balance will increase in size each month for the life of the loan.

No minimum monthly payments are required on [line of credit] although you may choose to make payments at any time, without penalty, such as interest only, interest and principal, or a flat dollar amount each month. You are, however, required to continue to pay property taxes and homeowner's insurance throughout the life of the [line of credit.]

If you choose not to make payments, all unpaid interest and fees will be added to the loan balance. When the loan is repaid in full, any remaining home equity will be paid to you or your heirs. If, however, you owe more than the home's fair market value when it is sold, neither you nor your heirs are responsible to pay the difference. The borrower will never owe more than the house is worth. Because your home is used as collateral for the loan, if you fail to pay property taxes or homeowners' insurance, your home is subject to foreclosure.

In order to make sure that this is the right line of credit, you will be required to complete a one-hour counseling session provided by an independent counselor (typically over the phone) before taking out the loan to ensure that all terms have been made clear and that all of your *questions have been answered.*

INTRODUCTION AND RESEARCH OVERVIEW

Many older adults are neither financially nor emotionally prepared for the issues they will face in retirement. Specifically, 70% of older homeowners (age 60+) say they are not financially prepared for retirement.[12] Results from the Employee Benefits Research Institute's (EBRI) 2014 Retirement Security Study indicate that 43% of early baby boomers also feel they are not financially ready for retirement.[13] Few are proactive with regard to the opportunities and challenges they will face as they age. Critical decisions about housing, finances and health care are typically made with limited time and information. While most older adults want to remain in their current homes, they may not know how to ensure that this is a safe and viable option for them – or how to appropriately make it so.

Older Americans hold over $6.2 trillion in home equity.[14] For the 80% of adults age 65 and older who own their homes, home equity represents 60% to 80% of their total net worth, making it an important factor in addressing retirement needs. For those ages 65 and over, median home equity in 2016 was $124,000, with median net worth excluding home equity at $56,000.[15]

Despite the importance of home equity as part of the financial portfolio of many older adults, recent research strikingly shows that older homeowners do not understand the home equity release products available to them and do not know how to decide if, when, and how to leverage home equity in meeting retirement concerns and objectives.

To better understand the perspectives of consumers and financial advisors with regard to using home equity as a strategic resource in retirement, the National Council on Aging (NCOA), in conjunction with research partners from Martino Flynn and Mintel Comperemedia, designed and implemented market research studies in 2016. The research, funded by Reverse Mortgage Funding LLC, included an online quantitative survey with a nationally representative sample of 1,002 older homeowners and 254 financial advisors, and a series of 13 focus groups in three nationally representative cities, with 112 consumers ages 60 to 75. This report summarizes the results of this quantitative and qualitative research.

[12] NCOA, Martino Flynn/Mintel Comperermedia, 2016

[13] VanDerhei, Jack. *Why Does Retirement Readiness Vary: Results from EBRI's 2014 Retirement Security Survey*. Date.

[14] National Reverse Mortgage Lenders Association, Q4 2016.

[15] Awareness of Home Equity Products Among Older Homeowners and Financial Advisors, March 2017.

QUANTITATIVE RESEARCH COMPONENT

Introduction to Survey and Sample

The National Council on Aging (NCOA) launched the "Reverse Mortgage Marketing Effectiveness Survey" in spring 2016. The survey was administered in April 2016 by the marketing research company Martino Flynn/Mintel Comperemedia (Martino Flynn). The purposes of the survey were to identify consumer concerns about living in retirement, evaluate the viability of using home equity to meet financial needs, gauge understanding of and interest in home equity release products, and explore specific hypotheses about perceptions of reverse mortgages. The survey also included a component to collect the opinions on these subjects from a sample of 254 financial advisors.

To that end, two versions of the survey were created: one targeting homeowners age 60+ and the other targeting financial planners. This report focuses primarily on findings from the survey targeting consumers, but does include an overview of findings from the survey exploring the views of financial planners.

This section provides a summary of survey responses in two key areas: (1) Home Equity Borrowing and Reverse Mortgages; and (2) Consumer Concerns and Expectations. The descriptive results are followed by multivariate regression analysis of key outcomes of interest to NCOA. Results of a product name experiment embedded in the survey, to identify the impact of the term "reverse mortgage" on consumers' perceptions of the product, as compared to a Home Equity Line of Credit are also presented. The complete consumer survey responses for key questions are included in the Appendix A of this report.

Survey Methodology

The survey was administered online, with an estimated completion time of 20 minutes. The survey administrators (Martino Flynn) were charged with collecting 1,000 complete consumer responses that met the following criteria: geographically representative respondents in terms of geography, age 60+, and homeowners who did not currently have a reverse mortgage/home equity conversion mortgage, home equity loan, or home equity line of credit. By the end of the survey period, 1,002 seniors completed the consumer survey.

Sample Characteristics

Table 2.1 provides a summary of the demographic characteristics of consumer respondents. The first column reports the summary statistics for the entire sample. The second and third columns report the summary statistics for a specific subset of respondents, based on whether or not home equity is their primary asset in retirement; specifically, the sample was divided by homeowners whose home equity represented greater than or less than 50 percent of their total net wealth.[16] The subsample comparisons include t-tests to identify if the two groups are statistically different from one another, where bold font indicates that the groups are statistically

[16] The subsample comparisons omit 293 respondents who chose not to respond to questions about their house value, mortgage debt amount or non-housing net wealth. Thus, the subsamples by home equity as a percent of net wealth will not add to the size of the total sample.

different with at the 90% confidence level or greater.[17] We focus on older homeowners with more than half of their net worth in home equity because they are precisely the population segment more likely to need to tap into home equity at some point in time to help address their retirement concerns.

The average respondent was 67 years of age, with a roughly even split by gender. The majority of respondents were married or living with a partner (77%), had a least one adult child (81%) and identified as Caucasian (91%). With regard to the highest level of education obtained, the largest proportion of respondents (58%) had a college degree, with only 9% reporting no high school or college degree. A lower proportion of those for whom home equity is their primary asset hold a college degree (47%) compared to 64% among those for whom home equity represents less than half of their net wealth. Both across and within these population segments, the survey sample shows higher level of education relative to seniors in the general population. According to a recent analysis of data from the Health and Retirement Study (HRS), only 28% of senior homeowners age 62 years of age and older have a college degree and 16% have not completed high school.[18] This should be kept in mind when thinking about the generalizability of the survey results.

Turning to income and wealth, about one third of respondents reported annual household income of between $50,000 and $100,000, with about 30% reporting income greater than $100,000 per year and 23% reporting income less than $50,000 per year. Incomes were lower among those for whom home equity is their primary asset, with nearly 40 percent reporting incomes of less than $50,000 per year, and only 13 percent reporting incomes greater than $100,000 per year.

In terms of net wealth, the estimated amount of non-housing wealth in the full sample was about $600,000. This was significantly lower for those for whom home equity is their primary asset, who have estimated non-housing wealth of about $115,000. About one-third (29%) of respondents reported non-housing net wealth of $250,000 to $1 million. About 15% of respondents reported non-housing net wealth of $100,000 to $200,000, and 12% reported non-housing net wealth of less than $100,000. By contrast, about 15% of respondents reported non-housing net worth of more than $1 million. According to the HRS, the median senior homeowner has approximately $100,000 in non-housing assets.[19] Respondents of this survey thus tended to be wealthier than senior homeowners in the general population

With regard to housing, by survey design, all respondents were homeowners, with the majority (55%) residing in their homes for more than 16 years. More than one-third (37%) of the respondents reported owning homes valued at more than $300,000, with 46% reporting owning

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[17] Common significance thresholds are reported for the t-tests for statistical difference between groups. For example, a p value of 0.05 indicates that there is 95 percent probability that the differences observed between the two groups are not due to chance.
[18] Moulton, Stephanie, Caezilia Loibl and Donald Haurin. 2017. Reverse Mortgage Motivations and Outcomes: Insights from Survey Data. *Cityscape* 19(1). Available online at: https://www.huduser.gov/portal/periodicals/cityscpe/vol19num1/Cityscape-April-2017.pdf

[19] Ibid

a home valued between $100,000 and $300,000. About 56% of respondents reported holding no mortgage on the house.

We estimate the amount of home equity held by respondents by taking the difference between their self-reported home value and their self-reported mortgage balance, with an average estimated amount of $244,276.[20] Interestingly, despite having lower levels of non-housing assets, the average amount of home equity is about the same for those for whom home equity is their primary asset. On average, home equity comprises about one-third of respondents' total net wealth, compared to home equity that, for the median senior, comprises 58% of net wealth[21]. For one in four respondents in this survey sample, home equity comprises more than 50 percent of their total net wealth. This is substantially lower than in the general population of senior home owners, where just under half (49%) of senior homeowners ages 62 and older.[22]

Respondents were also asked about their credit score, with 56% reporting that they had a "prime" credit score over 785, and 19% reporting that they had a mid-prime score between 677 and 785. Only 3.5% of respondents reported having a low credit score (below 677). More than one in five respondents did not respond to the question about their credit score.

Table 2.2 describes the survey respondent sample with regard to prior mortgage ownership, by type of product. The survey population was selected to exclude homeowners who currently have a reverse mortgage or home equity conversion mortgage (HECM), home equity loan, or home equity line of credit (HELOC). The majority of respondents either currently or previously had a first mortgage, with only 15% never having had a first mortgage. About one quarter of respondents previously had a HELOC and/or a second mortgage.

[20] Responses to these survey questions were provided in categories. We assign respondents the median value for a selected category for home value and mortgage debt to calculate home equity. For example, survey respondents indicating their home value was between $100,000 and $200,000 were assigned a home value of $150,000 for this calculation.
[21] Moulton, Stephanie, Caezilia, Loibl and Donald Haurin. 2017. Reverse Mortgage Motivations and Outcomes: Insights from Survey Data. Cityscape 19(1).
[22] Authors calculations using the Federal Reserve Board's 2013 Survey of Consumer Finances.

Table 2.1: Demographic and Financial Characteristics of Survey Respondents

	Full Sample	Home Equity >50% Net Wealth	Home Equity <50% Net Wealth
Age of Respondent	67	68	67*
Gender Male	49%	53%	56%
Married or Living with Partner	77%	72%	80%*
At least one adult child	81%	84%	81%
Race Caucasian	91%	91%	91%
Education			
High School	33%	41%	30%**
College	58%	47%	62%***
No degree	9%	12%	8%
Income			
<50k	23%	39%	19%***
>=50k and <100k	37%	48%	39%*
>=100k and <150k	18%	10%	26%***
Over 150k	10%	2%	16%***
Not reported	12%	1%	1%
Home Owner Tenure			
0-5 years	15%	12%	18%*
6-15 years	30%	32%	32%
16+ years	55%	56%	50%
Home Value			0%
<$100k	9%	9%	10%
>=$100 & <$300k	46%	51%	49%
Over $300k	37%	40%	41%
Not reported	8%	0%	0%
Mortgage Fully Paid	56%	62%	57%
Estimated Home Equity	$244,275.60	$246,172.22	$243,920.60
Home Equity			
<$50k	8%	4%	10%**
>=$50k & <$100k	8%	8%	10%
>=$100k & <$200k	26%	33%	27%
>=$200k & <$300k	20%	24%	23%
>=$300k	25%	28%	29%
Not reported	11%	0%	0%

	Full Sample	Home Equity >50% Net Wealth	Home Equity <50% Net Wealth
Home Equity as % of Net Worth	36%	70%	24%***
Home Equity is >50% of Net Worth	25%	100%	0%
Home Equity/Net Worth Missing	29%	0%	0%
Estimated Non-Housing Net Wealth	$596,988.20	$114,430.56	$768,473.53***
Non-Housing Wealth			
<$100k	12%	51%	5%***
>=$100 & <$250k	15%	41%	14%***
>=$250k & <$1m	29%	8%	52%***
Over $1m	15%	0%	29%***
Credit Score			
Midprime: 677-785	19%	22%	19%
Subprime: below 677	3%	6%	3%
Prime: above 785	56%	56%	65%*
Not reported	22%	16%	13%
Observations	1,002	180	529

Asterisks indicate the statistical significance of t-tests of the difference between responses for those with home equity <50% and >=50% of net wealth: ***p<0.01, **p<.0.05, *p<0.1. Source: Survey questions S10, D10-D100, and S40. Subsample comparisons by home equity as share of net wealth omit 293 respondents who did not report their net wealth or home equity. See Survey Appendix A for full breakdown of demographic variables

Table 2.2: Profile of Prior Home Equity Product Ownership*

Type of Home Equity Product	Currently Own	Previously Owned	Never Owned
First mortgage with a remaining balance	39%	46%	15%
Reverse mortgage	N/A	40%	99%
Home equity conversation mortgage (HECM)	N/A	2%	98%
Home equity loan	N/A	25%	75%
Home equity line of credit (HELOC)	N/A	28%	72%
Second mortgage	2%	13%	85%

N = 1,002. Source: Survey question S40

*Respondents who answered that they currently have any of the home equity products other than their first or second mortgage were not included in the survey.

Descriptive Statistics

Home Equity Borrowing and Reverse Mortgages

One of the purposes of the NCOA survey was to identify interest in and willingness to borrow from home equity. At the beginning of the survey, respondents were asked about the likelihood of taking out different types of home equity loan products. Table 2.3 summarizes their responses. As might be expected, respondents reported more aversion to reverse mortgages and HECMs, with about half selecting that they definitely would not purchase these products. A larger share (nearly 60%) reported that they definitely would not purchase a second mortgage (although this does not adjust for the 56% of the sample who never had or no longer have a first mortgage). Slightly more than one-third said that they would not purchase a HELOC or home equity loan. For the remaining descriptive analysis, respondents were divided into two sub-samples, based on whether or not they would consider taking out any of the home equity products, and whether or not they would specifically consider taking out a HECM or reverse mortgage.

Table 2.3: Likelihood of Taking out a Mortgage, by Type

	Definitely would not purchase	Probably would not purchase	Might or might not purchase	Probably would purchase	Definitely would purchase	N/A
Reverse mortgage	50%	23%	15%	4%	5%	2%
Home equity conversation mortgage (HECM)	47%	20%	6%	3%	7%	17%
Home equity loan	39%	25%	24%	4%	6%	2%
Home equity line of credit (HELOC)	39%	22%	23%	6%	6%	3%
Second mortgage	59%	21%	7%	2%	8%	3%

N = 1,002. Source: Survey question S50, Appendix A. Percentages may not total to 100 percent due to rounding

Several factors may affect a senior's willingness to draw from their home equity. These may include their expectations regarding housing, including bequest motives, a desire to stay in their home, and home health care expectations. Table 2.4 summarizes respondents' attitudes towards housing and home equity expectations. We include a comparison of means based on whether or not the senior reported any willingness to purchase home equity products. About 28% of respondents reported that they "definitely would not purchase" any of the home equity products listed in Table 2.3.

A few notable preferences stand out. Consistent with other research, a majority of respondents (76%) in this survey reported a desire to stay in their current home as long as they can, with no significant difference between those willing and unwilling to purchase home equity products. As expected, most respondents (66%) stated a preference for home health care. The preference for home health care is slightly higher among those willing to purchase a home equity product (68%), compared with those not willing to do so (61%).

Table 2.4: Attitudes toward Home Equity,
By Willingness to Use Home Equity Product

	Full Sample	Definitely Would Not Purchase	Yes or Maybe
Definitely would not purchase any home equity product	28%	-	-
Would consider drawing home equity for retirement expenses	20%	5%	26%***
Want my family to have a financial inheritance from the equity in my home	39%	14%	13%
It is important that my family members inherit my home	13%	37%	40%
Want to stay in my current home as long as I can	76%	75%	77%
Plan to move to a Senior Community in the future	16%	18%	16%
Would prefer home care	66%	61%	68%*
Would prefer to get assisted living or nursing home care	15%	14%	15%
Would like to move into a home that is easier for me to maintain	29%	21%	32%***
Observations	1,002	278	724

Asterisks indicate the statistical significance of t-tests of the difference between responses for those who “Definitely would not purchase” and those who “Yes or maybe would purchase”: ***p<0.01, **p<.0.05, *p<0.1. Source: The dependent categorical variable is derived from survey question S50. The respondents who answered “Definitely would not purchase” to all home equity products were coded as “Definitely No” above. All others were coded as “Yes or Maybe” above. The independent variables are derived from survey question C40: 1 and C30: 1-7. Those who answered strongly agree or somewhat agree were coded as “1” for answering affirmatively to the above statements. Those who answered “Neither agree nor disagree,” “somewhat disagree,” or “strongly disagree” were coded as “0” for not affirming the statement. See Appendix A for a breakdown of the responses to the S50, C40 and C30 survey questions.

Reverse mortgages are more complex than other types of home equity extraction products. The NCOA survey asked respondents about their understanding of and comfort with reverse mortgages. Table 2.5 reports these responses. Overall, only about 47% of respondents reported that they agree or strongly agree with the statement, “I understand how a reverse mortgage works.”

For the multivariate analysis, two scales were created to better capture these responses: a reverse mortgage “**Perceived Product Knowledge Scale**” and a reverse mortgage “**Resistance Scale**.” As shown in Table 2.5, the average score on the reverse mortgage Perceived Product Knowledge Scale was 13.16, with a range from 4 to 24. A higher number indicates a higher level of perceived knowledge about the reverse mortgage product. The average score on the reverse mortgage Resistance Scale was 16.26, with a range from 4 to 22. A higher number indicates a higher level of resistance towards a reverse mortgage. It is important to emphasize that the survey does not measure actual knowledge of reverse mortgage terms; rather, the questions relate to perceptions of the respondents’ knowledge about reverse mortgage.

Table 2.5: Attitudes Towards and Knowledge of Reverse Mortgages

	Mean	Min	Max
Definitely would not purchase a reverse mortgage	50%	0	1
I understand how a reverse mortgage works (collapsed)	47%	0	1
Perceived Product Knowledge Scale	13.16	4	24
I would need to research more about reverse mortgages (reverse coded)	2.16	1	5
I am afraid that I would lose my home if I took out a reverse mortgage (reverse coded)	2.96	1	5
I understand how a reverse mortgage works	4.13	1	7
I understand the pros and cons of a reverse mortgage	3.90	1	7
Resistance Scale	16.26	4	22
I would not take out a reverse mortgage	3.78	1	5
I would be comfortable taking out a reverse mortgage (reverse coded)	3.83	1	5
A reverse mortgage sounds too risky	3.40	1	5
A reverse mortgage is a "last resort type of product"	5.25	1	7

N = 1,002. Source: "Definitely would not purchase a reverse mortgage is taken from survey question S50. The respondents who answered "Definitely would not purchase" to the reverse mortgage product were coded "1" for definitely would not purchase. All other responses were coded "0." "I understand how a reverse mortgage works" is a categorical variable derived from survey question AT60. Those who answered 5-7 were coded as a "1" for affirming the statement. Those who answered 1-4 were coded as "0" for not affirming the statement. The product knowledge scale is a composite of the following survey questions (unless otherwise noted the questions were kept in their originally coded scales): P50 – 3, which was reverse coded; P50 – 7, which was reverse coded; AT60 – 7; AT60 – 5. The resistance scale is a composite of the following survey questions (unless otherwise noted the questions were kept in their originally coded scales): P50 – 2; P50 – 4, which was reverse coded; P50 – 6; AT60 – 6; See Appendix A for the P50 questions and the AT60 questions.

Consumer Concerns and Expectations

Consumers were asked about their concerns in retirement. It is expected that concerns about affording retirement may be associated with the extent to which a senior is willing to borrow from their home equity and their understanding of home equity release products. The survey asked a series of questions about general retirement concerns, and then asked specifically about housing concerns in retirement.

Table 2.6 summarizes responses for general retirement concerns, while Table 2.7 summarizes responses specific to housing in retirement. The numbers reported in the tables can be interpreted as the proportion of respondents who indicated that they agree or strongly agree that a particular item is a concern.[23] Both tables compare means for three different groups: (1) those for whom home equity is their primary asset, compared to those for whom it is not their primary

[23] For all of these concerns, those who answered "strongly agree" or "somewhat agree" to that the item as a concern were coded as "1" for affirming the statement. Those who answered "Neither agree nor disagree," "somewhat disagree," or "strongly disagree" were coded as "0" for not affirming the statement.

asset; (2) those who were more or less comfortable considering a reverse mortgage, and (3) those who were more or less comfortable considering home equity extraction generally. Statistical differences between the various subsamples are indicated with asterisks.

As shown in Table 2.6, those for whom home equity is their primary asset report being more concerned about retirement on a variety of dimensions. For example, among those for whom home equity is their primary asset, more than 80% indicated being concerned about “having enough money to live comfortably in retirement,” compared to just over 60% of those for whom home equity is not their primary asset. They are also more concerned about debt, maintaining their homes and Social Security being sufficient.

With regard to willingness to consider home equity products, those who would consider a reverse mortgage and those who would consider using home equity products were significantly more concerned about most of the items listed in retirement, with the exception of funding education and Social Security going away. For example, 78% of those who said they would consider a reverse mortgage reported being concerned about “having enough money to live comfortably in retirement,” compared to only 60% of those who said they definitely would not consider a reverse mortgage. This pattern is similar to those who would consider using home equity products generally, where 74% reported being concerned about having money in retirement, compared to 57% who said they were not willing to use home equity products reporting being concerned. Of all of the concerns included in Table 2.6, having enough money for medical care and concerns about the rising costs of medical expenses appear to be the greatest concerns, cited by about 80% of respondents.

Table 2.6: Retirement Concerns

Concern	Home Equity as a % of Net Wealth		Would Consider a Reverse Mortgage		Would Consider Using Home Equity Products	
	>=50%	<50%	Definitely No	Yes or Maybe	Definitely No	Yes or Maybe
Having enough money to live comfortably in retirement	81%	64%***	60%	78%***	0.57	74%***
Being able to pay for everyday living expenses	64%	46%***	42%	58%***	0.43	53%**
Out living your retirement savings	70%	67%	60%	78%***	0.56	74%***
Funding education	9%	10%	11%	9%	0.1	10%
Consolidating Debt	26%	14%***	14%	20%*	0.14	19%*
Paying off Debt	37%	24%**	23%	33%***	0.2	31%***
Maintaining my home	77%	59%***	55%	73%***	0.51	70%***
Ability to make needed or desired major purchases	78%	54%***	50%	68%***	0.45	64%***
Having enough money to travel	54%	53%	47%	59%***	0.43	56%***
Having money for medical care	88%	80%**	77%	88%***	0.76	85%***
Increasing medical expenses	88%	85%	83%	90%**	0.81	88%**
Social Security going away	70%	66%	66%	71%	0.68	69%
Social Security not being enough	79%	60%***	61%	73%***	0.61	70%**
Having cash for emergencies or urgent needs	79%	59%***	55%	73%***	0.51	69%***
Providing financial help to family	38%	36%	37%	37%	0.38	37%
Having money to leave to my heirs	36%	32%	34%	31%	0.36	31%
Observations	180	529	505	497	278	724

Asterisks indicate the statistical significance of t-tests of the difference between responses for each pair of subsamples: ***p<0.01, **p<.0.05, *p<0.1. Source: “Would consider a reverse mortgage” is taken from survey question S50. The respondents who answered “Definitely would not purchase” to the reverse mortgage product were coded “1” for “definitely no.” All other answers were coded as “0” for yes or maybe. The “Would consider using home equity products variable” is derived from survey question S50. The respondents who answered “Definitely would not purchase” to all home equity products were coded as “Definitely No” above. All others were coded as “Yes or Maybe” above. The independent concern variables are taken from survey questions C10: 1-16. Those who answered “strongly agree” or “somewhat agree” were coded as “1” for affirming the statement. Those who answered “Neither agree nor disagree,” “somewhat disagree,” or “strongly disagree” were coded as “0” for not affirming the statement. See Appendix A for the breakdown of the S50 home equity variables and of the C10 concern variables.

Table 2.7 is structured similarly to Table 2.6, but includes concerns specific to housing in retirement. Those for whom home equity is their primary asset report being more concerned about maintaining their home due to financial limitations (41% compared to 20%), and are more concerned about needing to renovate their home but not having funds to do so. Interestingly, they are less concerned about their neighborhood or community becoming less desirable, (14% compared to 22%).

Table 2.7: Housing in Retirement Concerns

Concern	Home Equity as a % of Net Wealth		Would Consider a Reverse Mortgage		Would Consider Using Home Equity Products	
	>=50%	<50%	Definitely No	Yes or Maybe	Definitely No	Yes or Maybe
Maintaining your home due to your own physical limitations	47%	40%	34%	50%***	30%	46%***
Maintaining your home due to financial limitations	41%	20%***	16%	32%***	12%	29%***
Living too far away from your children or grandchildren	30%	26%	26%	25%	24%	26%
Your neighborhood or community becoming less desirable	14%	22%**	19%	19%	19%	19%
Security/safety concerns when living on your own	35%	26%*	22%	36%***	19%	32%***
Inadequate transportation	26%	21%	19%	26%**	18%	24%
Your home is becoming too expensive to manage/maintain	32%	22%*	19%	31%***	15%	29%***
Your home is too outdated to suit your current needs	17%	11%	8%	16%***	6%	15%***
Needing to renovate your home but do not have the funds to do so	38%	19%***	17%	30%***	11%	28%***
Managing daily routines when living on your own	28%	23%	20%	29%**	18%	27%**
Loneliness or lack of available activities when living on your own	21%	20%	17%	22%	14%	22%**
Observations	180%	529	505	497	278	724

Asterisks indicate the statistical significance of t-tests of the difference between responses for each pair of subsamples: ***p<0.01, **p<.0.05, *p<0.1. Source: "Would consider a reverse mortgage" is taken from survey question S50. The respondents who answered "Definitely would not purchase" to reverse mortgage were coded "1" for "definitely no." All other answers were coded as "0" for yes or maybe. The "Would consider using home equity products variable" is derived from survey question S50. The respondents who answered "Definitely would not purchase" to all home equity products were coded as "Definitely No" above. All others were coded as "Yes or Maybe" above. The independent concern variables are taken from survey questions C20: 1-11. Those who answered "strongly agree" or "somewhat agree" were coded as "1" for affirming the statement. Those who answered "Neither agree nor disagree," "somewhat disagree," or "strongly disagree" were coded as "0" for not affirming the statement.

See Appendix A for the breakdown of the S50 home equity variables and C20 concern variables.

Those who were more likely to consider reverse mortgages and/or other home equity extraction products were significantly more likely to express housing-related retirement concerns, with the exception of a few items. For example, about 50% of those willing to consider a reverse mortgage expressed concerns about maintaining their home due to their own physical limitations, compared with 34% of those not willing to consider a reverse mortgage. This is a similar trend to those willing to consider home equity products generally.

Factor Analysis of Consumer Concerns

The prior section summarized a list of 16 general retirement concerns (Table 2.6) and 11 different housing-related retirement concerns (Table 2.7). Combined, the survey asked respondents to consider 27 different items that may be of concern in retirement. While these concerns may represent unique issues, there may also be considerable overlap between some of the concern items. For example, there were several questions that asked about having enough money in retirement in slightly different ways. As a next step in our analysis, we conduct a factor analysis of these 27 concern items.[24]

Factor analysis is often used as a data reduction technique, particularly when there are many different indicators (or survey questions) that may be capturing similar concepts. The factor analysis is used to identify the underlying core concern "constructs" that emerge from these 27 individual concerns. These core constructs can then be extracted as new indicators (factors) that can be used in subsequent analysis (e.g., the multivariate analysis) instead of using all 27 individual items. Unlike the individual survey questions that may be correlated with one another (e.g., a respondent who says they are very concerned about future expenses in retirement may also say they are very concerned about having enough money from Social Security), the factors that are extracted are uncorrelated with each other. Using the prior example provides a stronger way to measure whether or not a concern about money is distinct from a concern about Social Security.

Table 2.8 presents the results of the factor analysis. The 27 individual concern items are listed on the left-hand side of the table. The columns indicate that there are six unique factors that emerged from the 27 individual concerns (Factors 1 through 6). Following standard practices for factor analysis, only those factors that explain a substantial proportion of the variation for the 27 individual items (those with Eigenvalues >1) are retained, as indicated by the bottom row of the table. For each of the six factors, the individual concern components that are most correlated with the factor can be identified by looking at the cells in the table indicated with an "X". In the table, cells with an "X" indicate that the factor loading for that individual concern component on that factor is larger than 0.40, indicating that the individual survey item is strongly associated with that factor.

[24] Principle components factor analysis (varimax rotation, orthogonal solution) was used to extract core factor scores, which are uncorrelated linear combinations of the weighted observed variables.

By looking at the individual survey items that "load" on a given factor (marked with an "X"), we can identify the underlying construct that the factor is measuring. The factors corresponding to the underlying constructs are assigned unique names to fit with the concern that is being captured within it. For example, Factor 1 is identified as the "Home Maintenance" factor, as all 11 survey items concerning housing in retirement load heavily on Factor 1. Factor 2 is called the "Money for Retirement" factor, as the survey concerns loading on this factor have to do with having money in retirement for different needs, including everyday living expenses, home maintenance, and money for travel. The other factors and their loadings are shown in Table 2.8.

Table 2.8: Retirement Concerns, Factor Analysis Loadings >=0.40

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
	Home maintenance	**Money for retirement**	**Paying off debt**	**Helping family**	**Medical expenses**	**Social security**
Having enough money to live comfortably in retirement		X				
Able to pay for everyday expenses		X				
Outliving your retirement savings		X				
Funding education				X		
Consolidating debt			X			
Paying off debt			X			
Maintaining my home		X				
Ability to make needed or desired major purchases		X				
Having enough money to travel		X				
Having money for medical care					X	
Increasing medical expenses					X	
Social Security going away						X
Social Security not being enough		X				X
Having cash for emergencies		X				
Providing financial help to family				X		
Having enough money to leave to heirs				X		

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
Maintaining your home due to your own physical limitations	X					
Maintaining your home due to financial limitations	X					
Living too far away from your children or grandchildren	X					
Your neighborhood or community becoming less desirable	X					
Safety when living on your own	X					
Inadequate transportation	X					
Home too expensive to maintain	X					
Home is too outdated to suit needs	X					
Needing to renovate but no funds	X					
Managing your daily routine when living on your own	X					
Loneliness living on your own	X					
Eigenvalue	5.80	2.80	1.71	1.57	1.17	1.11

Cells marked with an “X” indicate those components that load most heavily on a particular factor, based on factor loadings >0.40; Factors with Eigenvalues >1.0 are retained for this analysis.

Multivariate Regression Results

The sections that follow summarize the results of the multivariate regression analyses of three sets of outcomes of interest to the NCOA study: home equity borrowing generally, interest in reverse mortgages, and bequest motivations. For simplicity, only statistically significant results ($p<0.10$) are summarized in the tables included in the main body of this report. Complete regression results are included in Appendix B.[25]For each outcome, three stepwise regression models are estimated, beginning with only the demographic variables as summarized in Table 2.1 (Model 1), and then adding the concern factors as identified in Table 2.8 (Model 2), and finally adding a subset of variables measuring attitude towards home equity from Table 2.4 (Model 3). The multivariate regressions are used to identify the relationship between a given variable and the outcome, while holding constant all of the other variables. For example, one can explore the relationship between age and an outcome such as willingness to extract home equity, while holding constant other demographic characteristics like gender, whether or not the respondent has an adult child, income, and all of the other variables included in the regression.

Home Equity Borrowing

First, characteristics that are associated with a senior's willingness to borrow from home equity are considered. Table 2.9 presents results where the outcome is respondents who said they "agree" or "strongly agree" with the statement: "I would consider drawing from home equity for retirement expenses," a response given by 20% of respondents.

First, with regard to demographics, male survey respondents were about 5% more likely to agree that they would consider drawing from home equity in retirement than females. Also, respondents who had lived in their homes for a longer period of time (16+ years) were significantly less likely to consider drawing from home equity. Those with home equity of more than $300,000 and those for whom home equity is more than 50% of their net wealth are more likely to indicate willingness to draw from home equity in retirement.

Respondents with a fully paid mortgage were more averse to drawing from home equity; specifically, they were about 5% less likely to say they would consider drawing from home equity. Those with credit scores below 785 and 677 (mid-prime and subprime) were more likely to say they would consider drawing from home equity in retirement relative to those with high credit scores. In addition, those who previously owned a HELOC were about 10% more likely to consider using home equity in retirement than those who did not previously own a HELOC.

Retirement concerns, as measured by the factor scores, are also associated with willingness to draw from home equity. Higher factor scores for home maintenance concerns, having enough money for retirement, and paying off debt were associated with an increased likelihood of drawing from home equity in retirement. By contrast, an increase in concern about family or leaving an inheritance was associated with a lower likelihood of drawing from equity in retirement.

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[25] Ordinary Least Squares (OLS) regression models are used for all of the outcomes in this report for simplicity in interpretation of coefficients, including binary outcomes (linear probability models).

Table 2.9: I Would Consider Drawing Home Equity to Meet My Expenses in Retirement

Demographic Characteristics	
Gender Male	0.0491*
Home Owner Tenure 16+ years	-0.0606**
Mortgage Fully Paid	-0.048*
Home Equity >=$300k	0.128**
Home Equity is >50% of Net Wealth	0.102**
Midprime Credit Score 677-785	0.0957***
Subprime Credit Score below 677	0.185**
Previously owned a HELOC	0.101***
Retirement Concerns (Factors)	
Factor - home maintenance	0.0811***
Factor - money for retirement	0.0379***
Factor - paying off debt	0.0317**
Factor - helping family	-0.0291**

Statistical significance: *p<0.10; **p<0.05; ***p<0.01. Results shown are statistically significant coefficients (p<0.10) from the full linear probability models provided in Appendix B. Estimates for "Demographic Characteristics" are from Model 1, and estimates for "Retirement Concerns" are from Model 2.

Reverse Mortgages

The next set of regressions model the indicators associated with a homeowner's willingness to specifically consider a reverse mortgage, as well as their knowledge of and resistance to reverse mortgages. First, Table 2.10A-1 presents the results of the regression where the outcome is respondents who said they "definitely would not purchase" a reverse mortgage, as identified in Table 2.3, a response given by 50% of respondents.

Those with lower incomes (household annual incomes less than $50,000, and incomes between $50,000 and $100,000) were also more receptive to reverse mortgages than were higher income respondents (i.e., they were less likely to say they "definitely would not purchase" a reverse mortgage) — a finding that is unique to reverse mortgages, as this was not observed for home equity extraction products generally (Table 2.9). On the other hand, those who had lived in the home for a longer period of time (16+ years) and those without a mortgage were more opposed to reverse mortgages — a finding that is similar to willingness to take any equity extraction product. Other demographics, including prior HELOC ownership, are not statistically predictive of someone who indicates that they would not take a reverse mortgage.

Turning to the retirement concern factors, higher factor scores for home maintenance concerns, having enough money in retirement, and concern about medical expenses are associated with more receptivity to reverse mortgages. In contrast, those who were concerned about helping family were more averse to reverse mortgages.

Table 2.10A-1: Definitely Would Not Take a Reverse Mortgage

Demographic Characteristics	
Age of Respondent	0.006*
Income <50k	-0.255***
Income >=50k and <100k	-0.221***
Home Owner Tenure 16+ years	0.079**
Mortgage Fully Paid	0.135***
Retirement Concerns (Factors)	
Factor - home maintenance	-0.0712***
Factor - money for retirement	-0.0963***
Factor - helping family	0.0327**
Factor - medical expenses	-0.0352**

Statistical significance: *p<0.10; **p<0.05; ***p<0.01. Results shown are statistically significant coefficients (p<0.10) from the full linear probability models provided in Appendix B. Estimates for “Demographic Characteristics” are from Model 1, and estimates for “Retirement Concerns” are from Model 2.

Table 2.10A-2 also considers receptivity to a reverse mortgage, but this time using the Reverse Mortgage Resistance Scale as defined in Table 2.5 of this report. Most of the results are substantively similar to those discussed above, with a few additions. Males are less resistant to reverse mortgages. Those with subprime credit scores (below 677) were significantly less resistant to a reverse mortgage. With regard to retirement concerns, those scoring higher on the factors for having money in retirement and paying off debt were less resistant to reverse mortgages. Those who wish to leave a financial inheritance from their home are more resistant to reverse mortgages. We also see that those who said “I want to stay in my home as long as I can” reported more resistance to reverse mortgages, perhaps a surprising finding given that a goal of reverse mortgages is to help seniors age in their homes.

Table 2.10A-2: Reverse Mortgage Resistance Scale

Demographic Characteristics	
Age of Respondent	0.051**
Gender Male	-0.756***
High School Degree	-0.746*
Home Owner Tenure 16+ years	0.445*
Non-Housing Wealth >=100 & <250k	-0.983*
Subprime Credit Score below 677	-1.486**
Retirement Concerns (Factors)	
Factor - money for retirement	-0.231*
Factor - paying off debt	-0.226*
Bequest Motives	
Family financial inheritance from home equity	0.585**
Want to stay in my current home as long as I can	0.794***

Statistical significance: *p<0.10; **p<0.05; ***p<0.01. Results shown are statistically significant coefficients (p<0.10) from the OLS models provided in Appendix B. Estimates for "Demographic Characteristics" are from Model 1, estimates for "Retirement Concerns" are from Model 2, and estimates for "Bequest Motives" are from Model 3.

The analysis that follows focuses on respondents' understanding of reverse mortgages. This is measured using the reverse mortgage Product Knowledge Scale, defined in Table 2.5 of this report, with the regression results presented in Table 2.10B. It is important to emphasize that this is respondents' perceived knowledge, not their actual knowledge of reverse mortgage terms.

Looking at the results in Table 2.10B, males, those with college degrees, and those with high net worth had higher reverse mortgage product knowledge. Here, we also see that those with lower incomes (less than $150k) had lower product knowledge than those with incomes above $150k (the omitted category). Those who were concerned about home maintenance, having enough money for retirement, and concerned about Social Security also had lower product knowledge of reverse mortgages. Finally, those with bequest motives to leave their family a financial inheritance from the home had lower knowledge of reverse mortgages

Table 2.10B: Reverse Mortgage Perceived Product Knowledge Scale

Demographic Characteristics	
Gender Male	1.032***
College Degree	0.994**
Income >=50k and <100k	-1.046**
Income >=100k and <150k	-1.126**
Non-Housing Wealth <100k	-1.285*
Non-Housing Wealth >=250k & <1m	-1.046**
Retirement Concerns (Factors)	
Factor - home maintenance	-0.298**
Factor - money for retirement	-0.654***
Factor - social security	-0.432***
Bequest Motives	
Family financial inheritance from home equity	-0.64**

Statistical significance: *p<0.10; **p<0.05; ***p<0.01. Results shown are statistically significant coefficients (p<0.10) from the OLS models provided in Appendix B. Estimates for “Demographic Characteristics” are from Model 1, estimates for “Retirement Concerns” are from Model 2, and estimates for "Bequest Motives" are from Model 3.

Bequest Motives

The next set of regressions considers bequest motives, in particular the desire to a leave the home or a bequest from the home to family. Table 2.11A reports the regression results for respondents who agreed or strongly agreed that “I want my family to have a financial inheritance from the equity in my home,” a response given by 39% of the survey sample. Table 2.11B reports the regression results for respondents who wanted to leave their actual home to their family members, a response given by 13% of the survey sample (as summarized in Table 2.4).

First, with regard to leaving a financial inheritance from the home (Table 2.11A), those who had at least one adult child were about 32% more likely to say that they wanted to leave a financial inheritance from home equity. Those for whom home equity is more than 50 percent of their net wealth were also more likely to indicate that they want to leave a financial inheritance from home equity. Further, those with lower levels of housing wealth were less likely to say they wanted to leave their family a financial inheritance from their home. Those who previously owned a HELOC were also more likely to indicate that they would like to leave a financial inheritance from their home. With regard to the retirement concern factors, those who were concerned about home maintenance, helping family and Social Security were significantly more likely to want to leave a financial inheritance from their homes. By contrast, those who were concerned about having enough money in retirement and those who were concerned about medical expenses were significantly less likely to want to leave a financial inheritance from their homes.

Table 2.11A: I Want My Family to Have a Financial Inheritance From the Equity in my Home

Demographic Characteristics	
At least one adult child	0.315***
Home Equity is >50% of Net Wealth	0.116*
Non-Housing Wealth <100k	-0.153*
Non-Housing Wealth >=100 & <250k	-0.142**
Previously owned a HELOC	0.0664*
Retirement Concerns (Factors)	
Factor - home maintenance	0.0693***
Factor - money for retirement	-0.0308**
Factor - helping family	0.1***
Factor - medical expenses	-0.0329**
Factor - social security	0.0471***

Statistical significance: *p<0.10; **p<0.05; ***p<0.01. Results shown are statistically significant coefficients (p<0.10) from the full linear probability models provided in Appendix B. Estimates for "Demographic Characteristics" are from Model 1, and estimates for "Retirement Concerns" are from Model 2.

Table 2.11B presents the results predicting a desire to leave the home to family members. Those with an adult child were about 6% more likely to want to leave their home to family, and Caucasian respondents were less likely to indicate a desire to leave their home to family. Those with a longer duration of tenure (16+ years) were also more likely to want to leave their homes to family. Those with lower levels of home equity (<200k) were less likely to indicate a desire to leave their home to family. Relative to those with higher credit scores, those with lower (mid-prime) credit scores were more likely to say that they want to leave the home to their family.

Turning to the concern variables, those who said they were concerned about home maintenance, helping family, paying off debt, and social security were significantly more likely to say they wanted to leave their home to their family. By contrast, an increase in concern about money for retirement, or medical expenses, is associated with a reduced desire to leave the home to the family.

Table 2.11B: It Is Important That My Family Members Inherit My Home

Demographic Characteristics	
At least one adult child	0.0648**
Race Caucasian	-0.0776**
College Degree	-0.0639*
Home Owner Tenure 16+ years	0.0527**
Home Equity >=50k & <$100k	-0.17***
Home Equity >=100k & <$200k	-0.0938**
Home Equity >=$300k	-0.0922*
Midprime Credit Score 677-785	0.0959***
Retirement Concerns (Factors)	
Factor - home maintenance	0.032***
Factor - money for retirement	-0.0211*
Factor - paying off debt	0.0251**
Factor - helping family	0.0447***
Factor - medical expenses	-0.0193*
Factor - social security	0.0439***

Statistical significance: *p<0.10; **p<0.05; ***p<0.01. Results shown are statistically significant coefficients (p<0.10) from the full linear probability models provided in Appendix B. Estimates for “Demographic Characteristics” are from Model 1, and estimates for “Retirement Concerns” are from Model 2.

Product Name Experiment

An important objective of the research was to explore the impact that product name has on consumer response to the product attributes of a reverse mortgage line of credit as compared to a home equity line of credit. The “Product Name Experiment” was designed to specifically test consumer response to loan product features—outside of the context of price and cost information—as a first step in better understanding how consumers perceive the different types of home equity release products. To this end, the loan product descriptions purposefully omitted information on product fees and costs by design. The experiment tested consumer preferences for a generic reverse line of credit as compared to a home equity line of credit. While cost differences, product details, and product complexity likely all influence consumer choice, some of these details are variable and subject to changes in policy and product design over time. This experiment sought to compare hypothetical products based on some of the core differences in how the products work to see if simply using the “reverse mortgage” name would influence consumer preferences. The underlying hypothesis was that, if product name alone results in a negative association with a reverse line of credit, consumers and financial advisors may never move to the higher-level comparison of loan product options, including price.

Additionally, there is evidence from the experience with buyers and non-buyers of other financial products that “cost” is in the eye of the beholder. For example, people who value the financial protection and peace of mind from having long term care insurance say they find the premium costs they are paying “affordable,” compared with non-buyers who do not see the product’s value and therefore are more likely to say it “costs too much.” These patterns hold true even when comparing buyers and non-buyers of comparable wealth. Similarly, many consumers are willing to forgo higher investment returns from certain types of investment choices in exchange for the peace of mind that their principal amounts will be better protected.

As a first step in understanding the impact of the reverse mortgage name on product preferences, product descriptions were carefully constructed to include product features other than costs and fees. Experts from the financial services industry, university-based researchers working on home equity products, and the National Council on Aging (NCOA) policy staff guided the development of the product descriptions used in the Product Name Experiment for both the quantitative and qualitative study components. (While the research methodology varied somewhat, the same product language was used in both study components.) Further research on specific consumer preferences for actual products on the market today, including details such as lending limits, fees, and borrowing costs, is a critical next step in better understanding consumer views and concerns with regard to the various options for leveraging home equity in retirement.

Figure 2.2 shows the product descriptions used in the research.

Figure 2.2: Product Descriptions Used in Product Name Experiment

"In this next section, we will ask you to compare two products (A & B). Please assume that the total costs and fees for both products are about the same. Both A and B are line of credit products for accessing your home's equity to meet experiences. Please review the following product descriptions carefully and answer the questions that follow. On each page, you will be able to click a link to view each product description again."

Line of Credit A/Home Equity Line of Credit

- *"The [line of credit] has a variable interest rate that will fluctuate over the course of the loan up to a lifetime interest "cap" or maximum. You will have access to the line of credit for a period of 10 years. During this time, you can write checks to use the [line of credit] up to the pre-determined credit limit. During this "draw down" period, you will need to make minimum payments equal to the interest on the outstanding balance. Interest paid on this line of credit may be tax-deductible. You can pay more than the minimum payment at any time.*

  After 10 years, you may no longer borrow any money from the [line of credit]. Required minimum payments will be recalculated to include both interest and principal and will increase accordingly.

  If at any time during the life of the [line of credit], should the home's value decrease significantly, the lender has the right to freeze or reduce the amount of the money available to you. The [line of credit] could also be frozen if your income declined substantially or if you failed to make scheduled monthly payments.

  Because the home is used as collateral for the loan, if you fail to make required minimum payments on the loan or if you do not pay property taxes or homeowners' insurance, the home is subject to foreclosure.

  When you sell the home, you (or your heirs) are required to pay back the loan balance in full. If the value of the home declines and you owe more than the house is worth, you are still responsible for the full balance on the loan."

Line of Credit B/Reverse Line of Credit

- *"This [line of credit] has a variable interest rate that will fluctuate over the course of the loan up to a lifetime interest "cap" or maximum. With the [line of credit], you may choose to let the interest rate change monthly or lock in the rate to change only once a year.*

  For this [line of credit], there is no mandatory 10-year maturity date. The [line of credit] funds may be used at any time up until the loan is eventually repaid when all borrowers leave the home permanently, sell the home, or pass away. The lender cannot reduce or freeze the money available to you. In fact, the unused [line of credit] balance will increase in size each month for the life of the loan.

  No minimum monthly payments are required on [line of credit] although you may choose to make payments at any time, without penalty, such as interest only, interest and principal, or a flat dollar amount each month. You are, however, required to continue to pay property taxes and homeowner's insurance throughout the life of the line of credit.

  If you choose not to make payments, all unpaid interest and fees will be added to the loan balance. When the loan is repaid in full, any remaining home equity will be paid to you or your heirs. If, however, you owe more than the home's fair market value when it is sold, neither you nor your heirs are responsible to pay the difference. The borrower will never owe more than the house is worth. Because your home is used as collateral for the loan, if you fail to pay property taxes or homeowners' insurance, your home is subject to foreclosure.

  In order to make sure that this is the right line of credit, you will be required to complete a one-hour counseling session provided by an independent counselor (typically over the phone) before taking out the loan to ensure that all terms have been made clear and that all of your questions have been answered."

To test the impact of product name on loan product preferences, the survey design randomly assigned 47% of the survey participants to receive an experimental module with the product names presented as a reverse line of credit (RLOC) and a home equity line of credit, (HELOC). The remaining 53% of survey participants received the same product descriptions but without product names, referring to them simply as Loan Product A (the unnamed HELOC) and Loan Product B. (the unnamed RLOC).

After a description of the two products, participants were asked:

> *"Comparing [Line of Credit A/HELOC] and [Line of Credit B/RLOC], which would you be more likely to select if you needed to or desired to borrow money against your home's equity?"*

The hypothesis of this experimental test of product name is that people avoid the RLOC because of the name, all else being equal. Table 2.12 illustrates the difference of selection between the HELOC/LOC A and the RLOC/LOC B between the "named" and "not named" groups. In the "product named" survey group, over two-thirds of the respondents preferred the HELOC (or LOC A). However, in the "no-name" product test, the majority of the respondents favored the RLOC (or LOC B). A Chi Squared test reveals that these two survey groups – named and not-named – had statistically significant differences in the mean of their response. This test confirms that the preference of the reverse line of credit in the non-named test group was not due to chance.

Table 2.12: Results of Product Name Experiment

	Named		Not Named	
	HELOC (LOC A)	**RLOC (LOC B)**	**LOC A (HELOC)**	**LOC B (RLOC)**
Comparing {Line of Credit A} and {Line of Credit B}, which would you be more likely to select if you needed to or desired to borrow money against your home's equity?	68%	32%**	43%	57%**
Observations	529		473	

Asterisks indicate the statistical significance of t-tests of the difference between responses for each pair of subsamples: ***p<0.01, **p<.0.05, *p<0.1.

The random assignment of survey participants into the two different groups gives confidence that the differences observed are due to the product name, and not due to other differences between participants in the two groups. However, as an extra test, a multivariate analysis of the choice of "LOC A/HELOC vs LOC B/RLOC" was performed (results presented in Appendix B, Table B.13). For this analysis, we included as the main explanatory variable an indicator for whether a participant was assigned to the "named" or "not named" group. This test also controlled for the other variables that are included in the prior regression specifications.

The results of the multivariate analysis are presented in further confirm the hypothesis that home equity product name is a significant factor in respondent preference of a home equity product. The coefficient for the variable “survey was not named” indicates that those who were randomly assigned to the “not named” survey were significantly more likely to choose the RLOC over the HELOC, even after controlling for differences between the two groups that may have occurred by chance. Specifically, those who were assigned to the “not named” group were 25% more likely to select the reverse line of credit (LOC B) than those assigned to the “named” group. Importantly, the coefficient for the “not named” indicator remains stable, even with the addition of control variables, further indicating that the results are not due to differences between the two groups.

We also test whether particular types of respondents are more or less likely to be influenced by the Product Name experiment. To do this, we interacted the “named vs. not named” indicator with a variety of the other variables in the primary regression specification to test whether particular types of individuals responded differently. If the interaction term is statistically significant, it indicates a differential responsiveness to the Product Name experiment for individuals with the given characteristic (included in the interaction). Interaction terms with all demographic and financial variables in the regression were tested, with the only significant interaction being gender. While males overall were less likely to select the RLOC than females, males were more likely to select the RLOC when they reviewed product information without its product name. Specifically, females assigned to the “no-name” group were 18% more likely to select a RLOC than females assigned to the “named” group. By contrast, males assigned to the “not-named” group were 33% more likely to select the RLOC than males assigned to the “named” group.

The product name may influence preferences because of underlying knowledge about the product that is associated with the name that was not included with the product descriptions. To explore this, we examine preferences in response to the product name experiment for those scoring above average on the product knowledge scale (scoring 10 points or more), relative to those scoring below average on the product knowledge scale (less than 10 points). This underlying perceived product knowledge could be accurate or inaccurate—however, it reflects the amount of additional information that respondents may associate with the name. As might be expected, those with below average perceived product knowledge are less sensitive to the name. When they receive the product name, they are 18% less likely to choose RLOC. When those with above average perceived product knowledge receive the product name, they are 27% less likely to choose RLOC.

It is also informative to consider how consumer interest and concerns regarding the products were associated with product names. Table 2.13A summarizes the proportion of respondents who express interest in using a RLOC or HELOC for retirement needs, based on whether or not they were randomly assigned to the named or unnamed group. Table 2.13B summarizes the proportion of respondents expressing particular concerns about a product, based on whether or not they were randomly assigned to the named or unnamed group. Statistically significant differences are indicated with asterisks.

Overall, respondents were more willing to consider a HELOC when presented with product name and were less likely to view the product as being “too complicated” or “too risky” when presented with the product name, compared to those who were assigned to the unnamed group. By contrast, respondents are less willing to consider a RLOC for major expenses when presented with the product name, and were more likely to view the product as being “too risky” when assigned to the group with the product name.

Table 2.13A: Product Confidence Influenced by Name

	Not-Named	Named	Not-Named	Named
	Product A	**HELOC**	**Product B**	**Reverse Line of Credit**
Willing to consider it	11%	16%**	17%	14%
Use it for everyday expenses	6%	6%	8%	9%
Use it for major expenses	20%	25%	23%	16%**
Use it for emergency expenses	51%	56%	49%	50%

Asterisks indicate the statistical significance of t-tests of the difference between responses for each pair of subsamples: ***p<0.01, **p<.0.05, *p<0.1.

Table 2.13B: Product Concerns Influenced by Name

	Not-Named	Named	Not-Named	Named
	Product A	**HELOC**	**Product B**	**Reverse Line of Credit**
Too risky	48%**	37%**	35%**	42%**
Too complicated	18%**	12%**	16%	21%
Worry about making monthly payments	34%	32%	22%	20%
Too good to be true	16%	13%	25%	26%
Consider if no other option	53%**	60%**	53%	55%

Asterisks indicate the statistical significance of t-tests of the difference between responses for each pair of subsamples: ***p<0.01, **p<.0.05, *p<0.1.

Educational Needs and Standards of Excellence (SOE)

The survey also sought to understand the impact on consumer perception of the reverse mortgage loan concept when education and information about it is presented by a nonprofit organization or when the product is shown to meet independently created standards of excellence (SOE). About one-fourth of survey respondents (27%) indicated that they would be more likely to consider a reverse mortgage if it had been evaluated by a national nonprofit organization. About one-third (34%) said they would be more likely to consider a reverse mortgage if that nonprofit organization evaluated a lender’s reverse mortgage product against SOE.

Table 2.14: Nonprofit Partnership and Standards of Excellence

	Not More Likely	More Likely
If a lender were to partner with a national, not-for-profit organization that is focused on improving the health and economic security of older adults, how would that impact your likelihood to consider a reverse mortgage / RLOC from that lender?	73%	27%
N	727	275
And, what if the not-for-profit also evaluated the line of credit against standards of excellence and you knew that they were not being compensated for doing so? Would this make you more or less likely to consider a reverse mortgage / RLOC from that lender?	66%	34%
N	663	339

Source: These questions come from survey questions AT70 and AT80 respectively. Those who answered “more likely” or “somewhat more likely” were coded as “More Likely.” Those who answered “neither more nor less likely,” “somewhat less likely,” and “much less likely” were coded as “Not More Likely.”

As a final exercise, multivariate analysis was used to identify characteristics of respondents that were associated with an increased likelihood of considering a reverse mortgage if a nonprofit organization partnered with a lender (Table 2.15A), and with an increased likelihood of considering a reverse mortgage if a nonprofit evaluated the lender against SOE (Table 2.15B).

The results indicate that respondents with a college degree reported being more likely to consider a reverse mortgage if a national nonprofit were to partner with a lender (2.15A) and if reverse mortgages were to be evaluated against SOE (2.15B). Respondents who previously owned a HELOC were also more likely to say that they would consider a reverse mortgage if a lender was partnered with a nonprofit partner and met the SOE. Many of the concern factor variables are also significantly associated with the likelihood to take a reverse mortgage, given a nonprofit partnership and SOE. Those concerned with home maintenance, having enough money for retirement, and medical expenses were all more likely to consider a reverse mortgage if a lender partnered with a nonprofit and was evaluated against the SOE. Those who were concerned with leaving money to their heirs were less likely to consider a reverse mortgage with a lender-nonprofit partnership and SOE. This is in line with the expectation that these individuals (with bequest motives) are opposed to extracting home equity, regardless of the evaluation by a nonprofit or conformance with independently defined SOE.

Table 2.15A: More Likely to Consider RLOC If Nonprofit Partners with Lender

Demographic Characteristics	
High School Degree	0.0886*
College Degree	0.105**
Home Owner Tenure 0-5 years	-0.119***
Home Owner Tenure 16+ years	-0.11***
Home Equity >=50k & <$100k	0.149**
Previously owned a HELOC	0.0711**
Retirement Concerns (Factors)	
Factor - home maintenance	0.0782***
Factor - money for retirement	0.0316**
Factor - helping family	-0.0338**
Factor - medical expenses	0.0452***
Bequest Motives	
Want to stay in my current home as long as I can	0.108***

Statistical significance: *p<0.10; **p<0.05; ***p<0.01. Results shown are statistically significant coefficients (p<0.10) from the full linear probability models provided in Appendix B. Estimates for “Demographic Characteristics” are from Model 1, estimates for “Retirement Concerns” are from Model 2, and estimates for "Bequest Motives" are from Model 3.

Table 2.15B: More Likely to Consider RLOC If Nonprofit Promotes Standards of Excellence

Demographic Characteristics	
Gender Male	-0.0614**
College Degree	0.102*
Home Owner Tenure 0-5 years	-0.0793*
Home Owner Tenure 16+ years	-0.0977***
Mortgage Fully Paid	-0.0697**
Previously owned a HELOC	0.119***
Retirement Concerns (Factors)	
Factor - home maintenance	0.0797***
Factor - money for retirement	0.0557***
Factor - helping family	-0.0433***
Factor - medical expenses	0.0405***

Statistical significance: *p<0.10; **p<0.05; ***p<0.01. Results shown are statistically significant coefficients (p<0.10) from the full linear probability models provided in Appendix B. Estimates for “Demographic Characteristics” are from Model 1, and estimates for “Retirement Concerns” are from Model 1.

Conclusion and Implications

This section summarizes key findings and implications from the consumer survey.

Sample representation. The survey population included in this study is different from the general population of senior homeowners. Some of this was intentional (e.g., excluding homeowners who currently had a HELOC or reverse mortgage). Additionally, the survey was administered using an on-line platform in order to understand the specific perspectives of internet-savvy older homeowners. However, it is important to note that the survey respondents in this sample had considerably higher incomes and more non-housing wealth than other senior homeowners in the general population. Subsequent analyses may well focus in greater detail on the less affluent survey respondents and explore specific key findings in light of alternative measures of income and non-housing wealth. Also, very few respondents reported low credit scores and about one in five did not answer the question, reducing the value of this indicator for the regressions. Prior research finds that senior homeowners with lower levels of non-housing wealth and lower incomes are more likely to seek out a reverse mortgage, and once they seek a reverse mortgage, are more likely to follow through than senior homeowners with higher levels of non-housing wealth and higher incomes. Thus, given their higher affluence, respondents in this sample should be less receptive to reverse mortgages than in the general population.

Untapped market potential. It is interesting that the respondents were not simply opposed to reverse mortgages, but were generally somewhat evenly opposed to extracting equity regardless of product (Table 2.3). However, it is also interesting that nearly 10% of respondents indicated that they “probably” or “definitely” would purchase a reverse mortgage. This is much higher than the share of seniors in the general population who currently hold a reverse mortgage (about 2%) and suggests that there could be untapped demand in the population, to the extent that this population is generalizable to the larger population. In fact, this proportion is similar to the share who said they definitely or probably would purchase a HELOC or home equity loan.

Retirement concerns play into views about using home equity. In general, those who had concerns about their retirement were more likely to consider extracting equity, and more likely to consider a reverse mortgage. Specifically, respondents who were concerned about having enough money for retirement and those who were concerned about home maintenance were less likely to be opposed to reverse mortgages. As might be expected, those concerned about leaving money to family or taking care of family were more resistant to reverse mortgages.

Interest and understanding. Those respondents who were more receptive to considering a reverse mortgage also tended to be those who reported a lower understanding of reverse mortgages and how they work. Specifically, respondents with some of the very same concerns as noted above were less likely to understand reverse mortgages. This could indicate that this group is ripe for additional information and education on product suitability.

HELOC familiarity. Prior ownership of a HELOC appears to be associated with respondents' willingness to consider extracting home equity in the future, but it is not significantly related to willingness to consider a reverse mortgage, as found in the main regression specifications. In the product name experiment, respondents who had a prior HELOC were less likely to select the reverse line of credit (over a HELOC), which is perhaps not surprising given they had prior experience with HELOCs. It is interesting to note, however, that prior HELOC borrowers reported being more willing to consider a reverse mortgage if it had been evaluated by and/or held to standards of excellence from a nonprofit. This could mean that these are savvier borrowers and thus would be more receptive to additional information. Or it may indicate that these buyers may have realized through the HELOC product experience that they did not have as much education or information in choosing that product as they might have wished they had.

Product name, all else equal, influences product perception. The results of the product name experiment are perhaps the most important findings from this analysis. The use of the product name (specifically the label "reverse line of credit") significantly drives consumers' and financial advisors' perceptions of the product, in a negative way. This effect is quite large. These results could be due to negative associations with the name, and/or because the name provides additional information (accurate or inaccurate) that changes preferences. It appears that males are more sensitive to the product name effect than females. Also, those with more perceived knowledge of reverse mortgages are more sensitive to the product name, in line with the interpretation that the name provides additional information that drives preferences.

As noted, it is important to understand the context in which consumers were asked to evaluate these products – that is, without information on price, loan amounts, or borrowing fees. While this approach was an important part of the experimental design, in order to explore response to product features and the possibility of name influence, it is not realistic to leave cost components out of the consideration in choosing a home equity release product. In other words, it is important to keep in mind that the research was designed to test the impact of a product name on consumer perception of loan product features and was not intended as a test of loan product preference or suitability in the context of all relevant considerations.

Financial Advisor Findings

The survey was also administered to 254 financial advisors either working directly with consumers or managing staff that do so. Advisors with the following qualifications were included:

- FINRA Series 6 or Series 7 (Financial Industry Regulatory Authority)
- Certified Financial Advisors or Planners (CFP/CFA), and
- NMLS mortgage loan brokers.

Familiarity with and Attitudes toward Reverse Mortgage Line of Credit

Financial advisors who reported being more familiar with the reverse mortgage line of credit (RLOC) had the most positive regard for the product. Specifically, advisors with CFA or CFP credentials were more likely to say that they are "very familiar" with the product (38% and 40% respectively), compared with FINRA Series 6/7 advisors (21% and 23%). FINRA Series 6/7 advisors therefore were also more likely to say that they are either "not familiar" or "familiar in name only" with the product. Since familiarity is correlated with comfort in this analysis, mortgage loan brokers and FINRA Series 6/7 advisors were more likely to have a negative regard for the RLOC (29%, 29% and 26% respectively) compared with CFAs (12%). In general, CFA and CFP advisors were more supportive of reverse mortgages, including more willing to recommend them and to see them as an important business component than other types of advisors.

Table 2.16: Financial Advisors' Views of Home Equity Loan Products, By Type of Advisor

Question	FINRA 6	FINRA 7	CFA	CFP	Mortgage Loan Broker
Familiarity with RMLOC					
Very familiar	21%	23%	38%*	40%*	36%
Somewhat familiar	50%	57%	49%	51%	48%
Not familiar	29%*	21%*	13%	9%	17%
Familiar in name only	25%*	19%*	10%	9%	14%
Never heard of it	4%	1%	3%	0%	2%
Perceived Product Value					
Positive	16%	16%	21%	20%	14%
Neutral	55%	58%	67%	62%	57%
Negative	29%*	26%*	12%*	18%	29%*
Advisor is Confident in Product Knowledge about…					
Benefits to consumer	38%	36%	61%*	61%*	52%
How to counsel consumer	30%	32%	53%*	47%*	45%
Profitability of product	31%	29%	55%*	46%*	45%*
Applicable restrictions and regulations	26%	28%	51%	50%*	40%
Observations: Total=254	80	154	77	76	42

Statistical Significance: ***p<0.01, **p<.0.05, *p<0.1; Tests for differences between a given type of advisor relative to other advisor groups combined. Source: QAT10 "How familiar are you personally, with "reverse mortgages" or "home equity reverse lines of credit?" QAT60 "Please indicate how much you agree with each of the following statements regarding a reverse mortgage. I feel comfortable recommending a reverse mortgage to a client. Reverse mortgages are profitable for me and my firm." QAT35 "How knowledgeable would you say you are regarding each of the following aspects of reverse mortgages: applicable restrictions and regulations; the profitability of the product; how to counsel consumers; benefits to the consumer." The proportion indicates those who somewhat or strongly agree with the statements, or who say they are somewhat or very knowledgeable.

In addition to general feelings of familiarity, CFAs and CFPs were more likely to feel very or fully knowledgeable about how a RLOC product works, including the benefit it provides to the consumer, how they should counsel borrowers, product profitability, and rules and regulations regarding the product. Mortgage loan brokers were more likely than FINRA advisors to understand the profitability of the product (45% vs. 29% to 31%).

CFAs, CFPs, and mortgage loan brokers were more likely to recommend a reverse mortgage line of credit as compared to FINRA advisors. They were also more likely to view those products as profitable to their firm and to agree that consumers understand the pros and cons of such products. FINRA 7 advisors were the most likely to only view the product as a "last resort."

Table 2.17: Financial Advisors Attitudes about Reverse Mortgages By Type of Advisor

	FINRA 6	FINRA 7	CFA	CFP	Mortgage Loan Broker
Understand how RM works	65%	67%	70%	75%	71%
There are appropriate cases for recommending RM	58%	64%	70%	71%	69%
Seen as "last resort" product	59%	64%*	61%	59%	45%
Feel comfortable recommending	34%	34%	58%*	51%	45%
RMs are profitable for self/firm	34%	32%	57%*	51%*	52%*
Like to recommend RM	21%	28%	48%*	43%	31%
Consumers understand pros and cons	25%	27%	48%*	36%	31%
Important part of my business	22%	25%	52%	37%	33%
Observations: Total=254	80	154	77	76	42

Statistical Significance: ***p<0.01, **p<.0.05, *p<0.1; Tests for differences between a given type of advisor relative to other advisor groups combined. Source: QAT60 "Please indicate how much you agree or disagree with each of the following statements about a reverse mortgage." The proportion indicates those who somewhat or strongly agree with the statements.

The most popular product alternative among advisors who were uncomfortable recommending a reverse mortgage line of credit was a HELOC (44%). Another 15% would recommend a home equity loan and 6% cited a personal loan. Over one-third of the advisors selected "other" in response to this inquiry. Based on the survey responses provided, "other" typically included downsizing or seeking financial help from family. The survey did not explore why these "other" alternatives might be appropriate compared with the reverse mortgage line of credit, so it is not known whether these are more suitable alternatives for the consumer, or whether the advisors' concerns with the reverse mortgage line of credit are based on full and accurate knowledge of the product. The other survey findings suggest that a lack of product familiarity is associated with a disinclination toward the product.

The survey found that advisors' knowledge of both the HELOC and the reverse mortgage line of credit could be improved. Just under one-fourth of the advisors said they learned something new about the HELOC concept after reading the product descriptions, and between 25% and 33% said they learned something new about the reverse mortgage line of credit. The table below captures some of the verbatim comments with regard to new insights into each product type.

Table 2.18: What Financial Advisors Learned About the Products From the Survey Description

HELOC	Reverse Mortgage Line of Credit
"The company can stop the line of credit if the value of the home goes down."	"I like that …a ten-year maturity is not required and that there are no monthly payments needed."
"If the home declines in value, the borrower is still responsible or the whole loan value."	"That the borrower is not responsible for the balance if the house sells for less than the value of the loan."
"I did not know that, after 10 years, it is completely done."	"That the available funds increase."
	"Never heard of not having to pay

N=254 financial advisors. Source: QV20. "In evaluating this description of a real product, did anything surprise you or did you learn anything new about the [name of product] that you didn't know before?"

Practice Orientation

In addition to their formal credentials, advisors were asked to self-identify within one of the following practice areas:

- Insurance
- Trading and investments
- Real estate
- Mass affluent consumers
- Retirement planning
- Other

When comparing findings based on practice type, advisors whose business focus is on real estate were more likely to feel very or fully knowledgeable about how to counsel consumers, the benefit that accrues to them, and product profitability of the reverse mortgage line of credit. Advisors focused on retirement planning, surprisingly, were less likely to feel knowledgeable about the reverse mortgage line of credit (18% to 29%) compared with advisors whose focus is on real estate (41% to 51%). It is possible that familiarity depends in part on whether or not the advisor is compensated for including it in the practice portfolio, although ideally an advisor focused on retirement security should be well-informed about a range of products that can address retirement needs without regard to their ability to sell those products. (See Table 2.19)

The demographic profile of the advisor's client practice was not considered in the survey. Differences in the age, affluence, and home ownership of their clients could influence advisor familiarity with the reverse mortgage line of credit. Specifically, if clients typically seek out retirement advice a decade before they are eligible for the product, advisors may not be as familiar with that offering as they would be if they were counseling a population that was ready to retire or one that had already retired.

Financial advisors whose firms focus on real estate had a greater understanding of how a reverse mortgage product works and more favorable attitudes toward it (with respect to both consumers and their own business), as compared with firms focused on either retirement planning or mass affluent clients.

Table 2.19: Financial Advisors Product Knowledge and Attitudes, by Firm Focus

Feature	Insurance	Trading & Investments	Real Estate	Mass Affluent Consumers	Retirement Planning	Other
Benefits to consumer	24%	43%	51%*	41%	29%	38%
How to counsel consumer	24%	39%*	41%*	34%	24%	36%*
Suitability of product	10%	30%	41%*	23%	18%	33%*
Applicable restrictions and regulations	14%	33%	33%	23%	21%	30%
Understand how reverse mortgage works	67%	72%	87%*	70%	62%	65%
There are appropriate cases for recommending reverse mortgage	52%	67%	79%*	68%	56%	58%
Seen as "last resort" product	76%	52%	59%	61%	62%	62%
Feel comfortable recommending reverse mortgage	33%	42%*	49%*	20%	27%	36%
Reverse mortgages are profitable for self/firm	19%	31%	49%*	27%	23%	35%*
Likely to recommend reverse mortgages	14%	28%	31%*	18%	20%	27%
Consumers understand the pros and cons of reverse mortgages	29%	33%*	28%	18%	18%	26%
Reverse mortgages are an important part of my business	19%	27%*	36%*	14%	19%	21%
Observations: (Total=254)	21	67	39	44	114	125

Statistical Significance: ***p<0.01, **p<.0.05, *p<0.1; Tests for differences between a given focus of advisors relative to other advisor groups combined. Source: QAT60 "Please indicate how much you agree or disagree with each of the following statements about a reverse mortgage." The proportion indicates those who somewhat or strongly agree with the statements.

Impact of Nonprofit Evaluation

More than half of the financial advisors surveyed (54%) were either much more likely or more likely to recommend a reverse mortgage line of credit if it were evaluated by an independent nonprofit third party. Just over one-third would not be influenced in either direction by the views of a nonprofit. Similar to the findings with consumers, NCOA was cited by 36% of advisors as in their “top three” nonprofit entities for this role, ranking below AARP (59%), the Better Business Bureau (56%), and just ahead of the U.S. Administration on Aging (AoA) (31%).

Table 2.20: Impact of Nonprofit Evaluation on Financial Advisor Recommendation

Likely to Recommend with Nonprofit Evaluation	Percent
Much more likely	14%
Somewhat more likely	40%
Makes no difference	34%
Somewhat less likely	6%
Much less likely	4%

N=254 financial advisors. Source: QAT70 “If a lender were to partner with a national, not-for-profit organization that is focused on improving the health and economic security of older adults, how would that impact your likelihood to recommend a reverse mortgage from that lender?”

Product Name

Like consumers, financial advisors are also susceptible to the impact of product name on their feelings about the reverse mortgage line of credit as compared with a HELOC. When the loan concepts were presented without product names, 43% of financial advisors preferred Loan B (reverse mortgage line of credit) compared with only 30% expressing a preference for Loan A (HELOC). However, when the products were presented with their names, preference switched, with more financial advisors preferring the HELOC (68%) compared with the reverse mortgage line of credit (32%). The sample size was not sufficient to explore characteristics of the advisors more influenced by product name, based either on type of credential or firm orientation.

Table 2.21: Financial Advisors Product Preference: Product Name Experiment

Not Named			Named		
HELOC (Loan Product A)	Reverse Line of Credit (Loan Product B)	No Preference	HELOC (Loan Product A)	Reverse Line of Credit (Loan Product B)	No Preference
27%	49%**	24%	52%	28%**	20%

N=254. Asterisks indicate the statistical significance of t-tests of the difference between the percent who preferred the HELOC/Loan Product A and the percent who preferred the RLOC/Loan Product B: ***p<0.01, **p<.0.05, *p<0.1. Source: V40: “Of the two products that you compared….which would you feel more inclined to recommend to a homeowner who wanted to access home equity value to meet expenses in retirement?”

QUALITATIVE RESEARCH COMPONENT

Introduction

Research Objectives

The focus groups were designed to address several important research questions with regard to whether and how older homeowners consider home equity as a resource in retirement. The qualitative research phase was also used to evaluate key concepts, language, and concerns with regard to broader issues of retirement preparedness, aging in place, and interest in home equity loan product options. The groups were divided into two tracks:

Track One: Retirement Living Concerns and Interest in Home Equity Solutions

Track Two: Home Equity Loan Solutions – Product Comparison and Testing

Specific research questions at the heart of these focus groups were as follows:

- Are older homeowners thinking of their home as a strategic asset they can leverage in addressing retirement concerns?
- What language do consumers use to describe various concepts around choices and decisions involving their house/home and lifestyle in retirement?
- Are consumers engaging actively in a “stay or go” decision or other home-based choices they might be expecting to face as they age? If so, how are they addressing these choices? If not, why not?
- Are older homeowners open to creative options such as home-sharing?
- Are they open to learning more about these issues through an educational website sponsored by a nonprofit entity? If so, what aspects of an educational website do they like or dislike?
- What functionalities and content do they want to see in an educational website?
- Given two home equity release solutions, presented without product names, which do consumers prefer and why?
- What attitudes, information, and concerns interfere with the willingness to consider a reverse mortgage?
- What language and key messages resonate most with older homeowners on these topics?

Methodology

Table 3.1 provides an overview of the focus group design. Focus groups took place in three cities: Rochester, NY; Denver, CO; and Minneapolis, MN. Within each city, four different focus groups were constructed based on track (the two tracks defined above) and the level of wealth of participants (high and low/mod). The level of wealth of participants was defined as those with low and moderate levels of wealth, and those with high wealth (the “mass affluent”). Each focus group had 10 participants in each group, resulting in a total sample size of 122 participants.

Table 3.1: Focus Group Design

CITY	TRACK ONE – LMW CONCEPT	TRACK TWO – HOME EQUITY PRODUCTS
Rochester NY	#1 = mass affluent #2 = low/moderate	#3 = mass affluent #4 = low/moderate
Denver CO	#5 = mass affluent #6 = low/moderate	#7 = mass affluent #8 = low/moderate
Minneapolis MN	#9 = mass affluent #11 = low/moderate	#10 = mass affluent #12 = low/moderate

The focus group study cities were selected to provide a nationally representative population with varied characteristics with regard to housing and home equity product behavior.[26] Specifically, the selected cities were evaluated by relevant selection criteria as shown in Table 3.2 below.

Table 3.2: Focus Group Location and Selection Criteria

City	US Representation	Housing Stat Ranking	HECM Activity Level	Regional Home Equity Loan/HELOC Index
Rochester NY	87%	164	Light	111/127
Denver CO	87%	133	High	102/116
Minneapolis MN	84%	297	Moderate	115/82

Participants were recruited using a telephone screening tool to ensure that they met the study criteria and that the groups were well-balanced in terms of other demographic considerations. Participants who did not meet the specified thresholds for age (60-75), homeownership, and available home equity (at least $100,000) were excluded. Participants also had to be a joint or primary decision-maker with respect to household and financial issues and be able to express themselves clearly when asked a brief articulation question. The groups were balanced with respect to tenure in the home, employment, marital status, race, education, and occupation. Participants who currently have or previously had a reverse mortgage were excluded from the research. Participants in the product concept track had to currently have or previously taken out

[26] US Representation score looks at how closely the metropolitan statistical area (MSA) resembles the country's overall demographic breakdown on a wide variety of parameters. Housing Stat Ranking scores the MSA's similarity to the US breakdown of relevant housing characteristics such as tenure, median price, vacancy rate, size, and others.

a HELOC. Finally, the net worth criteria for the categories of low/moderate group was set at less than $250,000, while the mass affluent group was defined as $250,000 to $500,000 net worth.

Tables 3.3 and 3.4 summarize characteristics of the individuals included in the focus groups.

Table 3.3. Demographic Characteristics

TRAIT	CATEGORY	PERCENT	TRAIT	CATEGORY	PERCENT
GENDER	Male	45%	**EDUCATION**	High School	8%
	Female	55%		Some college	23%
AGE	60-64	49%		College Grad or more	69%
	65-69	30%	**EMPLOYMENT**	Full time	22%
	70-75	21%		Part time	22%
MARITAL STATUS	Married	73%		Retired	56%
	Widowed/Divorced	15%	**DURATION IN CURRENT HOME**	Less than 5 years	7%
	Single	12%		5 to 15 years	17%
RACE	Caucasian	88%		16 to 26 years	28%
	African American	7%		26 to 35 years	29%
	Latino	3%		36 years or more	18%
	Other	2%			

Table 3.4. Financial Characteristics

TRAIT	CATEGORY	PERCENT	TRAIT	CATEGORY	PERCENT
INCOME	Less than $25,000	6%	**HOME VALUE**	Less than $100,000	-
	$25,001-$50,000	22%		$100,001-$200,000	25%
	$50,001-$100,000	47%		$200,001-$300,000	30%
	$100,001-$250,000	24%		$300,001-$500,000	32%
	$250,001-$500,000	1%		$500,001 - 750,000	10%
	$500,001 or more	-		More than $750,000	2%
NET WORTH LESS HOME VALUE	Less than $50,000	14%	**AVAILABLE HOME EQUITY**	Less than $100,000	3%
	$50,001-$100,000	15%		$100,001-$200,000	48%
	$100,001-$250,000	24%		$200,001-$300,000	29%
	$250,001-$500,000	20%		$300,001-$500,000	16%
	$500,001 or more	28%		$500,001 - 750,000	3%
WHEN HELOC TAKEN OUT	< 1 year	9%		More than $750,000	2%
	1 to 3 years	9%			
	4 to 5 years	9%			
	6 to 8 years	13%			
	More than 8 years	58%			

Discussion Guides and Workbooks

A discussion guide was developed specifically for each of the two focus group tracks, although there were similarities across the versions. While the focus groups provided qualitative feedback on the topics included, a quantitative approach was also incorporated by way of participatory exercises and data analysis based on participant responses. For example, participants were asked to use worksheets to review various product or concept statements. On those worksheets, they were told to circle the words or items they especially liked, cross out what they disliked, and put a question mark where something was confusing. Respondents' worksheets were then analyzed and catalogued to create an intensity measure across all participants with regard to the nature and direction of consumer response to each aspect of the concept. These are shown in this report as graphs similar to the results of dial testing commonly used in focus group research.

Findings

Attitudes about Aging

The focus group participants were pragmatic about aging and what they were already facing or anticipated facing as they grew older. Despite the fact that most participants were under age 69, with about one-third under age 65, only 40% of them were still working either full or part-time. Some of the part-time workers had retired previously but went back to work mostly, as they indicated, for non-economic reasons. The fact that the study communities had dominant employers that likely offered favorable pension and retirement options (e.g., banks, Kodak, state government) may be why the groups had a majority of retirees. This is important because, having been or currently being retired, likely provided participants with greater insights into some of the financial and personal issues they would likely encounter as they grow older. As expected, there were mixed reactions to the terminology used, with a preference for "aging" over "growing older."

When asked about their concerns with aging, health care issues were the most top of mind. On an open-ended basis, concerns with outliving savings or having adequate finances for everyday living did not emerge. And while, as part of introductions, consumers were asked to talk about the home in which they are currently living, most did not mention their home as either an asset or a concern as they aged until later in the session when these topics were explicitly addressed.

Preparing for Retirement

As mentioned, some participants had retired but then chose to return to part-time or full-time work for a variety of reasons. Thus, the participants did not easily assign themselves into the category of "retired" vs "not yet retired." As expected, individuals expressed mixed feelings about retirement. Some were apprehensive about retiring, mostly for non-financial reasons such as worrying about a loss of purpose or vitality. Others who had retired were generally pleased with the decision; some even wondered why they waited so long. For those who were retired, most cited a sense of purpose and joy from other activities such as volunteering, travel, caring for grandchildren, and other pursuits.

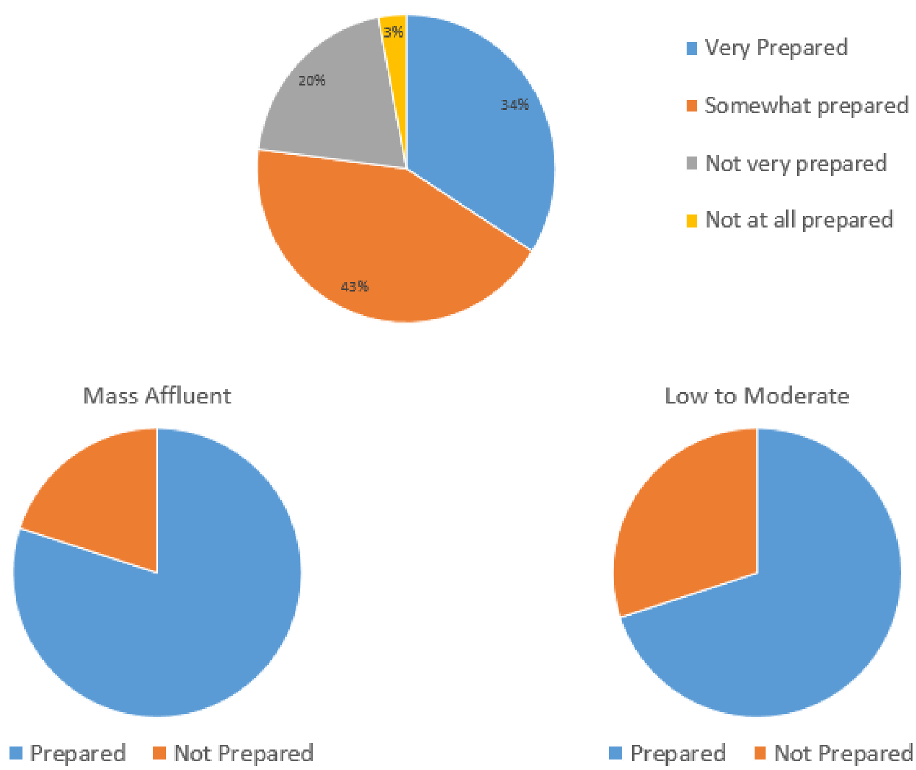
When asked to rate their preparedness for retirement, 77% of participants[27] considered themselves either very or somewhat prepared for retirement. Perceptions of retirement preparedness did vary across the groups in terms of net worth, with the Mass Affluent groups feeling better prepared for retirement. The question, however, sparked a discussion of what it means to be prepared. Participants identified various domains of retirement preparedness including both tangible aspects such as finances, the home, health, and having an established daily routine, as well as intangibles such as mental health, emotional well-being, and a satisfying social network.

[27] As measured by all but one group.

Moderator: *"So, when you think about living in retirement or getting ready to, on a scale, we're going to use the scale a couple of times in our conversations, on a scale of 1-4, how prepared do you consider yourself? 1 being extremely prepared to 4 being not prepared at all. So, let's start at the bottom of the scale. Who thinks they're not prepared at all for retirement?"*

Participant: *"What do you mean, prepared? Just mentally prepared? Emotionally, I'm very prepared. Financially, not as much as I like."*

Figure 3.1: How Well Prepared Do You Feel for Retirement? (All Groups)



The extent to which participants engaged professional financial advisors to help them assess retirement needs varied. Many in the Mass Affluent group reported working with a professional financial advisor. This was less common in the Low Moderate net worth groups. For many, the only financial professional with whom they worked was their accountant. Only a few claimed to rely upon their banker for broad financial advice, although banks were certainly cited as a referral source for the home equity line of credit which the "Product Evaluation" groups all had in common. For those who reported working with a financial advisor, none reported having discussed using home equity to help fund needs in retirement, nor did anyone indicate that their advisor expressed concern about a potential financial shortfall for living in retirement. This may in part explain the focus group participants' perceptions about their level of preparedness for retirement.

Participants were asked to identify the types of assets and resources that they might draw upon to help meet retirement needs. Most mentioned pensions, IRAs, annuities, savings, a 401K plan, stocks and bonds, insurance, and investment property. Seldom was the primary residence ever cited as an asset that could be leveraged in retirement.

The Role of the Home in Retirement

One area of interest for the research was to understand the extent to which people purposefully address the question of whether life in retirement would be better suited to staying in their current home or relocating (e.g., downsizing, moving to a different community and other considerations). Most participants were not actively considering this but were aware that circumstances in the future might force the issue to emerge. This may be due in part to the relatively young age of the focus group population. A few participants, more often the women, had already moved to a single-story and/or smaller home in anticipation of mobility limitations later on or to ease the burden of home maintenance. Some of the participants with moderate health issues were aware that their current home is not well suited to aging in place although they hadn't yet determined whether they would make modifications or move in the future. Once questioned, participants were able to identify some of the potential barriers to their goal of aging in place. These included negotiating stairs, not having a full bathroom or adequate bedroom on the first floor, financing major home repairs on a fixed income, or keeping up property maintenance.

A common theme across the groups with regard to the goal of staying in one's current home was the recognition that changes would be needed, in particular, changes that would likely involve increased expense.

> *"Isn't the finances the big deal? I mean, if you have enough money, you can make the ramp and put an elevator in. It's money to me."*

For the most part, consumers were aware of the issues but did not seem anxious to consider them until circumstances forced the issue. Across most, the tendency was to stay in their current home as long as possible. Some of the factors cited providing strong ties to the current home include:

- Accumulation of belongings
- Nostalgia
- Cost of buying a new property
- Physical challenges of moving
- Convenience and familiarity of current neighborhood, and
- Established social network.

Home as a Strategic Asset

Few participants identified their home as a source of equity release to help with retirement expenses or goals, but once the concept was raised, many acknowledged the concept but still were not readily comfortable with it. The home was seen most often in emotional terms – a place of memories, a shelter, and comfort – with some seeing the home as costing them money rather than as an asset that could generate money.

The most readily identified financial value of the home was its value to heirs, with many citing a desire to leave some money to heirs upon the sale of their home, and only a few consumers interested in actually having the home stay in the family after their death. The concept of tapping into their home equity without selling the home was not at all top of mind for these consumers.

> Participant: "*I guess I consider my house an asset. And it's going to turn out to be an investment for my daughter but for me it's an asset. I have to live somewhere. It's not yielding any income to me. It's not an investment as such. It's growing in value and appreciation. All houses are."*

Moderator: *"Does anyone anticipate that you would draw against your home equity for meeting retirement expenses?"*

> Participant: *"No."*
>
> Participant: *"Only if absolutely necessary. It would be a last resort."*
>
> Participant: *"Like a catastrophic health thing."*

Moderator: *"What are the pros and cons of using your home equity?"*

> Participant: *"I can't see a pro."*
>
> Participant: *"I can't either."*
>
> Participant: *"Unless you are starving I guess."*
>
> Participant: *"A pro I think would be that you could borrow money more inexpensively and if you really needed it for a project or something like that, and if you had enough equity in your home and you want to take a little bit out, that could be a positive thing. I think a con is…I was going to say asset because it's how long you've been there it could be worth a lot of money and so you just don't want to do that too often and use up all your equity. That would be the con to that. I've known people that do that and they end up losing their home."*
>
> Participant: *"It seems like a lot of people here -- their homes are paid for and there's something really freeing about that. I just think that's over there and not set up, not thinking I'd ever do it. That would be the lending of last resort if something happened. It's just nice to have it done, free and clear."*

Participant: *"You work 30 years plus to pay for it and my mentality is that I don't want to give that away unless I absolutely had to."*

By sampling design, half of the focus groups were comprised of participants who had previously tapped into their home equity using a Home Equity Line of Credit (HELOC). Despite this, respondents in those groups did not identify this as a strategic use of home equity. Many obtained the loan at the suggestion of a banker or financial advisor in part because of the favorable interest rate on the loan and a short-term need for cash flow. For the most part, they used the HELOC for home improvements, major purchases like a car, wedding, or down payment to help an adult child buy a home and the like. Consolidating debt with a more favorable interest rate was another use. Most were practical about the uses of the HELOC. Some participants cited difficulty obtaining the HELOC and one mentioned having it "frozen" after only 3 years.

Participant: *"I'm actually in the process right now because this summer I had the house appraised and realized that it has doubled in value since I bought it and I have a whole lot more equity than I thought I did so all those projects that I wanted to do – basically, I'm refinancing so I can renovate."*

Moderator: *"Did you consider any other products before you made the decision to refinance?"*

Participant: *"No, not really and primarily because of the interest rate because when we bought the house 12-13 years ago the interest rates were a little higher."*

Participant: *"When I had the administrative difficulty getting the HELOC, I decided to borrow from my paid-up life insurance."*

Some consumers, while they might not have a sense of how to use home equity, were open to using it while living rather than having it as a resource for heirs.

"The goal is to spend your last dollar as your second foot slides into the grave."

Before the concept of a reverse mortgage line of credit was raised in the discussion, consumers voiced a number of attitudes that run counter to the acceptance of the product. These include:

- High desire to avoid debt
- A feeling that you don't "mess" with the home once it is paid for, and
- For some, a desire to leave home equity gains for their heirs.

Home Equity Loan Product Evaluation

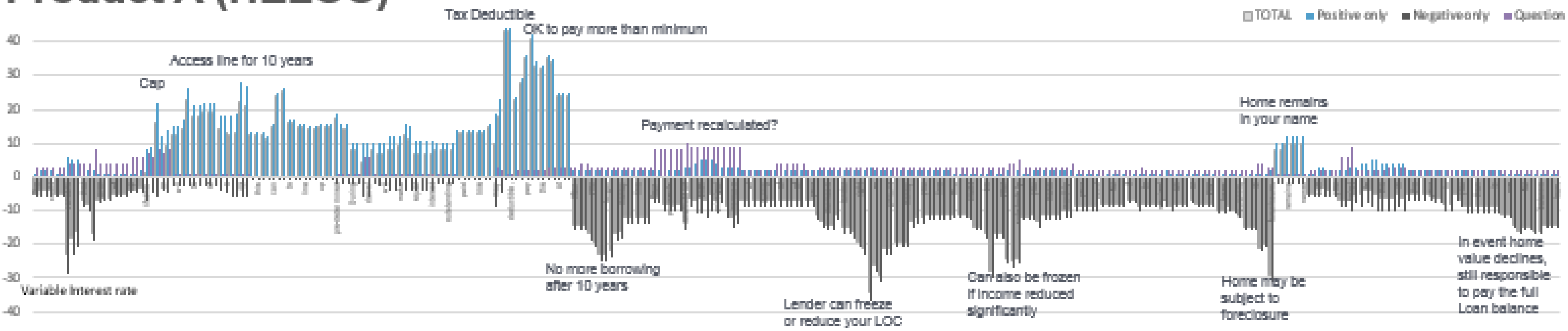
Participants were asked to review two home equity loan product descriptions, simply referred to as Line of Credit A and B. They were asked to circle the portions of each description they liked, cross out what they disliked, and put a question mark on portions that were unclear. They were then asked to select their product preference from the two descriptions, if they were to select a product to access home equity in retirement. With the exception of one participant who suspected that Line of Credit B was a reverse mortgage, all the others selected Line of Credit B as the preferred product. However, it was seen as less desirable once it was revealed as a reverse mortgage. But having gone through the evaluation process, and learning about product features without product names, participants indicated that they would be open to learning more about reverse mortgages, rather than dismissing them outright.

The product descriptions used in the evaluation were the same as those used in the survey. Consistent with the approach used in the quantitative component, the products were presented without cost or fee information so that insights on product features alone, all else equal, could be identified. Interestingly, participants were able to review and engage in discussion about product features within and between the product loan presentations in the context provided; no one asked about cost or price information or felt hindered by the absence of that information in their review of features. While we acknowledge that cost and fee information, along with information about lending amounts, are critical to consumer decision-making in choosing a product, the research objective of exploring consumer response to product attributes in and of themselves was successfully achieved using this approach.

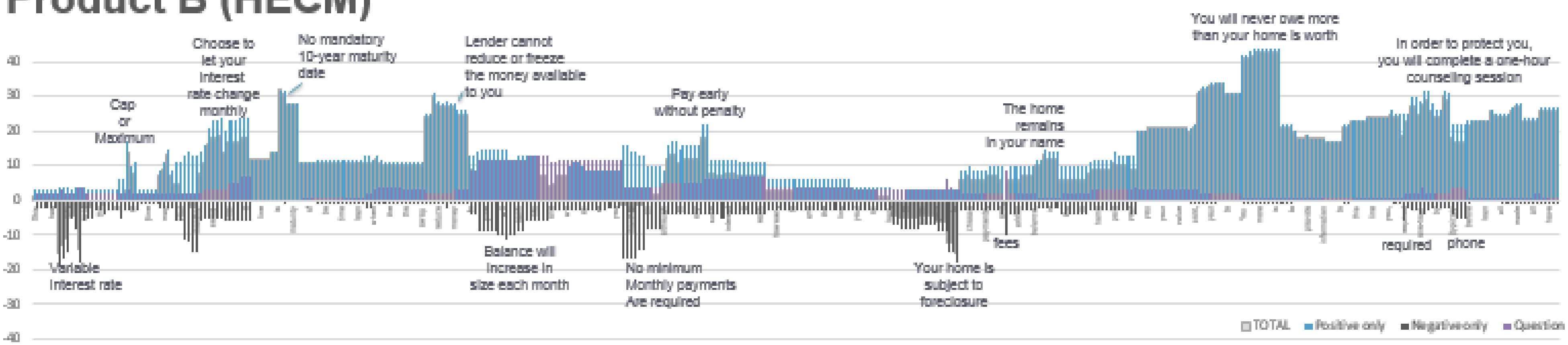
The participants' evaluations of each loan type was analyzed and are presented here as a series of sentiment graphs. Positive statements are shown as blue bars above the baseline, while negative statements are identified by black bars below the baseline. Questions are shown as gray bars. The higher the bar, the more consensus there was across participants with regard to this sentiment. While each individual word in the product description was charted in the sentiment graphs, it is helpful to view the graphs overall to visualize the amount and strength of favorable response to Line of Credit B (reverse mortgage) as compared to Line of Credit A (HELOC). These are shown as "End-to-End Sentiment Charts."

Figure 3.2: End-to-End Sentiment Charts

Product A (HELOC)



Product B (HECM)



As shown in the text summary below, participants cited more favorable than unfavorable aspects of Line of Credit B (reverse mortgage line of credit), compared to Line of Credit A (HELOC). And they also expressed a more negative response to Line of Credit A. Despite that, both products raised questions for consumers, even on attributes that they found attractive. So while they may have liked or disliked various features, they were not always clear about how that feature worked or why it was included.

Table 3.5: Focus Group Sentiments About Each Loan Product

Reaction	Content: Line of Credit A/HELOC	Content: Line of Credit B/Reverse Mortgage
Favorable	• Lifetime interest cap or maximum • Access line for 10 years • Okay to pay more than the minimum • Tax deductible • Home remains in your name	• Lifetime interest cap or maximum • Choose to let your interest rate change monthly • No mandatory 10-year maturity ate • Lender cannot reduce or freeze money available to you • Pay early without penalty • Home remains in your name • Never owe more than the home is worth • One-hour counseling session
Unfavorable	• Variable interest rate • No more borrowing after 10 years • Lender can freeze or reduce LOC • Can also be frozen if income reduced significantly • Home may be subject to foreclosure • If home value declines, still responsible to pay the full loan balance	• Variable interest rate • Balance will increase in size each month • No minimum monthly payments are required • Home subject to foreclosure
Confusing	• Required minimum payment recalculated after 10 years • Variable interest rate • Can't borrow any more after 10 years • Lender can freeze or reduce amount of money available • Subject to foreclosure • Still responsible to pay the loan balance	• May select an option that sets your rate once a year • No mandatory 10-year maturity date • Lender cannot reduce or freeze the money available to you • Unused credit balance will increase in size each month • You will never owe more than the house is worth

The verbatim comments shown below capture some of the sentiments, positive and negative, that participants expressed as they reviewed Product A and Product B. These statements reflect some of the “too good to be true” feelings about how Product B works which typically emerged as consumers struggled to understand the reverse mortgage concept.

PRODUCT A (HELOC):

> [*Regarding the fluctuating interest rate in Product A.] “I reacted very negatively to that. It is almost predatory. I don’t know what’s going to happen to the future of my – and maybe if there was a limit and it was a reasonable limit. But the way our economy is going up and down over periods of time and if it’s 18% and after I read that I just didn’t like.”*
>
> *“It’s not that I wouldn’t expect the rate to vary, depending on when the repayment starts, it’s just that variable interest rate in the very first sentence is just like nope, don’t need that.”*
>
> *“…my HELOC when I took it out, I was able to borrow on it for 3 years and then the housing market fell out in 2008 and they took everybody’s HELOCs away. So really, I only got 3 years and now I’m in the repayment but at least with my 3 years, they just figured out how much I owed and how to pay it off in 10 years and that’s your payment. It was fair but it was kind of unnerving.”*

PRODUCT B (Reverse Mortgage Line of Credit):

> *“I was confused by the statement that the unused line of credit balance will increase in size each month for the life of the loan – normally there’s a limit. I don’t understand why and how that’s increasing.”*
>
> Moderator: *“If you choose not to make payments, all unpaid interest and fees will be added to the loan balance. The home remains in your name. When the loan is repaid in full, any remaining home equity will be paid to you or your heirs. If, however, you owe more than your home’s fair market value when it is sold, neither you nor your heirs are responsible to pay the difference. You will never owe than the house is worth.”*
>
>> Participant: *“Wow! That seems pretty strong there!”*
>>
>> Participant: *“Seems like a miracle!”*
>>
>> Participant: *“They’re gonna get ya! I’m sure there’s an algorithm that they figure out the lowest your house could go and the maximum for their security.”*
>>
>> Participant: *“You’re not going to have to repay more than your house is worth. It’s to a certain extent, it’s a gamble and so they’re going to have to charge for that gamble up front all through the life of this loan, I just see paying 10% when I could be paying 6%. The other one, and if enough people are paying 10% on*

this, then when they do take the occasional hit, it's not so bad. I don't see any of this as being all of these nice things that you're getting for free."

Participant: *"But personally, it would be worth it to me to pay it. Even if it's a significantly higher interest rate to have these terms over the previous one."*

Overwhelmingly, Product B, the HECM, was the preferred loan type. Consumers particularly liked the mandatory counseling component to help them make a suitable product choice. Consumers also liked the idea that they would not owe more than the home was worth. There was some skepticism, however, because it seemed logical to be responsible to pay back all of the value of a loan, regardless of what might happen with home value. The concept that the HECM line of credit would grow if there was appreciation in the home value was confusing to participants. While once explained, many liked it, others were concerned it might promote using more loan value than might be prudent.

Moderator: *"So really quickly, we just do a quick decision point. If you were in the process of considering a home equity product that would help you with expenses while you were in retirement, of these two that we looked at, which would be more appealing to you? Product A or Product B? For those of you who chose Product A, which was the first one that we looked at, what were the reasons that you preferred that home equity option? Did anyone choose A? [Silence] No! Everyone chose B?" [Acknowledgement]."*

Moderator: *"So, what did you like about Product B that we haven't mentioned already?"*

Participant: *"Continued flexibility within the reality of your life."*

Participant: *"More control."*

Participant: *"When you're retired, you want to have some freedom. That's the whole point of being retired."*

That said, participants were surprised to learn that their preferred product was a reverse mortgage, based on both a lack of understanding of the product and the negative association that they had based on mass media, word of mouth, and paid TV spots with well-known celebrities. None had pursued information or education or anticipated possibly using a reverse mortgage prior to the group session. Despite having just reviewed the product features, participants still felt it was a "last resort" type product which they might use but only later in life. One respondent said she'd been investigating a HECM for purchase and across the groups single women seemed slightly more open to the concept. It seemed that some of the resistance was based on pre-existing negative perception and limited understanding. For some, the word "reverse" implied going backwards and "raiding" home equity which earlier had been described as not desirable.

"No one wants to go backward."

In subsequent discussion of website tools, participants said that if a diagnostic tool on the website, using actual personal data, recommended that the consumer consider a reverse mortgage, they would be willing to look into the product further. In all groups, participants acknowledged that they had limited understanding of the product features and were influenced by "general impressions" that it was not something they should be considering.

Educational Information

As mentioned, another important objective of the focus groups was to introduce participants to the idea of an educational website, offered by a nonprofit entity, designed to help them make the types of decisions older homeowners might face, including the safe and appropriate use of home equity loan products. Participants were asked to evaluate a concept description for the website and, as with the loan product descriptions, to indicate on paper what they liked, disliked, or had questions about. Each portion of the concept description was subsequently discussed in more detail to gain insight into participants' response to the concept.

The website is a free and confidential resource that provides objective, accurate and easy-to-understand information about decisions homeowners face as they grow older. It features tools that can help you think through the ways you might be able to use your home as you age, and it gives you timely and objective information about those options.

Specifically, the website can help you determine:

- *As I get older, should I stay in my home or should I move?*
- *Is my current home safe and will it meet my needs as I grow older?*
- *How do I decide whether and how I should downsize?*
- *Should I use a Reverse Mortgage or a Home Equity Line of Credit to help fund living in retirement?*
- *And much more*

The website helps you make these difficult yet important decisions about your home in retirement. You can even customize the information you receive based on your personal circumstances. The site is developed and maintained by a national nonprofit organization that has been helping seniors since 1950. It is completely educational and no products or services are sold or promoted.

The table below summarizes the favorable and unfavorable responses, along with areas of confusion.

Table 3.6: Participant Response to Website Concept

Reaction	Website Concept Statement
Favorable	• Free and confidential • Objective, accurate, easy to understand • Tool • Should I stay in my home or move? • How do I reduce the costs of living in my current home? • Customize • National nonprofit organization • No products or services are sold or promoted
Unfavorable	• As I get older • How do I decide whether and how I should downsize? • Reverse Mortgage • Home equity line of credit
Confusing	• Free and confidential resources • Ways you might be able to use your home • Objective information • Is my current home safe? • And much more…

Some of the participant verbatim comments include the following:

> *"I liked confidential, objective, accurate, easy to understand."*
>
> *"I'll circle that the website is free and confidential."*
>
> *"Objective."*
>
> *"Confidential had a question mark. I would be concerned about, how can they?"*
>
> *"The minute I saw reverse mortgage, I would have gotten out of that website. But if it was the local national nonprofit organization, let's say it's an organization that recommended this website that I worked with then I would have probably been more casual with the introduction and continued."*

> *"It gives it credibility."*
>
> *"….it says the site is being maintained by a national nonprofit organization. We're talking about a nonprofit organization designing the site. It doesn't say that the site that you're using isn't by a company that's making a profit."*

The focus groups showed solid favorability for several dimensions of the website concept including that it is a free and confidential resource that could help people answer important questions such as how to reduce the cost of living in one's current home. Participants reacted negatively to mention of "getting older" and to specific mention of home equity loan products. While none of the participants had mentioned an interest in tools to help them in their current living situation, they did react favorably to the concept of having tools specific to their needs on the website. The specific inclusion in the concept statement of some of the purposes of the website (e.g., home equity financing) was confusing to some.

While participants liked the idea that the site would treat any information they were asked to input as confidential, some were doubtful that could be true. Their willingness to provide personal financial and other details depended on the value of the output they would receive in exchange. For example, in order to have results and tools with outcomes customized to each person's unique situation, they understood that they would have to provide that information. While most said they would be willing to provide an email address, some reported that they typically use a secondary email address specifically for certain types of online activities or so that they have the ability to control the type and amount of communication. Once the idea of financial services companies as site underwriters was introduced later in the discussion, concerns about confidentiality increased. Participants were concerned that their contact information might be sold or transmitted to lenders without their permission. Compliance with and transparency about how personal information will be used is critical to consumer comfort with the user experience on the site.

Participants liked the idea of the "persona" report but discussed various ways it could be customized and person-specific without raising anxieties about the level and type of information they would need to share with the site. Some felt it was a worthwhile tradeoff to provide the level of information needed to have results truly specific to their circumstance. Others preferred having the site present illustrative profiles (e.g., 8-10) that reflected different people types from which they could begin to gain more information specific to their situations. Others felt more comfortable building a customized profile by selecting from categories of traits (e.g., home value, income, debt) rather than having to input specific information.

Website Tools, Content, and Functionalities

Participants were asked to provide input as to the content areas that would be of greatest interest to them. This was done by having participants jot down ideas on post-it notes which were then shared for group discussion. A broad range of topics were identified, although financial planning and senior living options topped the list (in terms of popularity and mention). After those topics, consumers expressed interest in information about working after retirement, personal and home safety, home improvement resources, and Medicare/Medicaid and health insurance information.

Participants were asked to score a variety of website educational features to identify functionalities of greatest appeal. The most and least popular website features/content are shown below, based on the scores provided by participants (i.e., a 4-point scale from “very useful” to “not at all useful” was used).

Table 3.7: Focus Group Participants Response to Website Functionalities

Useful	Not Useful
Educational articles (74%)	Online chat (82%)
Product comparison charts (72%)	Adjustable size font (77%)
Links to other resources (79%)	"Cost of doing nothing" calculator (77%)
Consumer reviews (61%)	On-line calculators (58%)
Frequently asked questions (60%)	
Budgeting worksheets (57%)	
Videos (50%)	

The scoring exercise provoked discussion about the various tools and functionalities. For example, many people did not understand the "cost of doing nothing" calculator or worried that calculators would be too difficult to use or might require disclosure of personal information. Because of those concerns, these tools were scored as less useful but might provoke a more favorable response in actual usability testing. Others said they gave a low rank to adjustable fonts because they knew how to manage that on their own or expected all websites to have that capability.

Trusted Information Sources and Website Sponsorship

With regard to home equity financing or other financial planning products, while participants had used the internet for initial research, none had purchased financial services online. Some cited listening to financial programming on talk radio. When asked about organizations they trust or distrust, banks and government resources were not favorably cited. Banks were seen as being transactional and fee driven, rather than relationship-based. Consumers who had a credit union relationship found that as a trustworthy resource.

> *"I am not a conspiracy theorist but I cannot trust anybody once they get a certain size."*

Participants saw the value of a credible nonprofit third party sponsor for this type of educational website. This was highly preferred over having a bank, lender or government sponsor. As expected, AARP was named by several participants as an entity they would trust to offer this type of content, based in part on a belief that AARP has experience vetting providers and advocating for the best deals on behalf of its members. While there was low awareness of NCOA, the concept description of the organization was very well received. Participants mentioned NCOA's long tenure as an organization as a measure of trust. They liked reference to NCOA's advocacy role with regard to health and economic security. And they questioned how the website supported by a nonprofit would be paid for. There was even some skepticism about the impartiality of nonprofits.

“Those independent nonprofits and the guy that’s running it is making $250,000 to a million dollars a year just like AARP. They are advocates for the elderly, but the people that are running it, they’re not poor. They’re making good salaries.…because somebody’s sticking them with money to sell their insurance, to sell whatever they’re selling and if you go to their website you’ll see what they’re selling.”

There was considerable discussion of how the site would be financially supported, with some skepticism that a website couldn’t truly avoid selling products or services since it would need some way of being funded.

On not selling products online*: “I circled the ‘no products or services are sold or promoted.’ I circled those because I thought they would sell me something.”*

On transparency about companies affiliated with the site*: “One thing is, being able to research it and find out if it’s all one company. All insurance companies or all that they’re funding because they they’re probably going to steer you in that direction.”*

“Is this website going to be full of ads? How are they going to make money if they’re not selling anything?”

National Council on Aging (NCOA) as a Sponsor

The focus group protocol was modified after the first group to test further the concept of how the website is funded, after this emerged as an important topic in the first group. Specifically, participants were introduced to NCOA as a sponsor.

Figure 3.3: NCOA Concept Statement

Founded in 1950, the National Council on Aging (NCOA) is a respected national leader and trusted partner to help people age 60+ meet the challenges of aging. NCOA is a private, non-profit, and non-governmental entity. NCOA’s mission is to improve the lives of older adults through innovative community programs and services, including online help and advocacy. NCOA partners with non-profit organizations, government and businesses to address concerns related to health and economic security.

They were also asked to evaluate the explanation shown below as to how the website is developed and funded. Uniformly, participants felt it was critical to have full transparency with respect to the entities funding the site, and specifically with regard to the nature and size of the investment being made. The idea of the site being funded by a consortium of financial service providers was met by negative reaction including disbelief as to whether the site could be truly objective or might just be a sales tool for the sponsoring entities. Others, however, were more realistic about the need for external underwriting, but wanted assurance as to the reputations of the sponsors and the nature and degree of their involvement. Based on analysis of the focus group conversation, the research team suggests modification to the tested concept statement as follows:

> *The content of this website is made available through funding from leading financial providers who are in compliance with Standards of Excellence established by the National Council on Aging.*

Still, there were concerns about the involvement of sponsoring financial providers, with consumers expressing interest in both transparency and controls.

> Moderator: *"One last question around the website, if the content was developed by NCOA independently, but the site itself was underwritten or funded by the partners who they were working with so whether it was the financial institutions in the case of home equity or if it was looking at real estate, real term partners, does that change your regard for the website? Sandy is saying yes. What about that?"*
>
> > Participant: *"I wouldn't trust it."*
> >
> > Participant: *"That's how nonprofits work. Somebody has to fund it so, I mean, like if you make a donation to animal rescue, do you ask who the other funders are?"*
> >
> > Participant: *"I would say that if it had a broader coalition of other different institutions, that would be acceptable. If it was one entity that was partnering with them, then I would feel that there might be bias towards that one entity and would affect my judgement."*
> >
> > Participant: "*I think if I was to look at that information, I would love it if everyone had maximum donation so that the playing field was even. Maybe a max donation or a half donation locking everyone into giving $15,000 or $5,000."*
> >
> > Participant: *"Or at least a percentage, like no more than you know, 25% comes from lenders."*

Standards of Excellence

The group discussion explored how consumers would respond to the concept of only engaging with providers or service or financial institutions who are able to meet relevant Standards of Excellence established by independent nonprofit experts.

Figure 3.4: Standards of Excellence Concept Statement

Website content is provided by NCOA and is underwritten or funded by a consortium of respected national financial institutions that meet NCOA's Standards of Excellence.

Standards of Excellence

An independent, nonprofit group of experts in the fields of aging, finance, and retirement security have come together to develop standards to help provide consumers with protection when evaluating and applying for a home equity finance product. The objective is to identify best practices in order to improve the quality of information and the consumer experience. These standards of excellence address:

- *Product design and features*
- *Pricing, procedures, and disclosures*
- *Consumer education*
- *Customer service*
- *Loan officer training and compensation*
- *Fair marketing and advertising practices*
- *And more…*

Focus group participants had a favorable reaction to the concept of Standards of Excellence (SOE) and liked the idea of a nonprofit third party establishing and enforcing them. Consumers wanted to see the SOE published and perhaps have grades for those lenders posted, including the specifics of when and how they were measured. Others liked the idea of a visible symbol to indicate compliance, such as a "Good Housekeeping Seal of Approval." Some made an analogy to customer reviews and star-rating systems such as one finds on Amazon or Yelp. Participants said that they would be open to links to lenders who meet the SOE, but they were not comfortable having the site pass along personal information onto lenders.

Moderator: "What's your initial reaction to the idea of Standards of Excellence?"

Participant: "It's timely, progressive, and very positive, I think. It's huge because banking and lending, that's one of the areas that has really fallen through the cracks as far as having standards and expectations that the institutions will meet standards. It's just like there's been a free reign and look what happened. So, I think this is wonderful!"

Participant: "I just hope it's not window dressing and that there's some meat to this."

Participant: "I really like that at the beginning that the experts in the field of aging, finance, and retirement securities so it feels like this is something that's particularly addressing one group of the community."

Participant: "I like it because it's a Consumer Reports, which is a nonprofit and they rank products and goods and services but they'll tell me which are the good ones and which are the bad ones."

Participant: "I like it."

Participant: "Absolutely, because there's so much information out there no matter what you're doing you're looking for a new car or used car or whatever or you just want financial information. Who has all that time to do the research? You're hoping to find certain sites that can start pointing you in the right direction and you know, you spend some time doing that and so if this could bring things together for you and you trust it that would be very valuable."

Limitations of the Research

Qualitative research, by definition, is not generally representative to the broader population. So the findings should be considered directional. However, the congruence of findings here with findings of the quantitative research strengthen our confidence in them. Additionally, these focus groups findings are based on a larger and more robust sample size and selection process than is sometimes found in qualitative research.

Another consideration is the timing of the focus groups; current topical events can sometimes sway participants' feelings and perceptions on relevant issues. The groups took place in late October through early November 2016, which can certainly be described as a very charged time in the political news cycle. In fact, the last set of focus groups took place the day after election night. That said, the participants were urged to put politics aside and think about these issues in their broader personal context. The moderator did a good job creating a "safe place" for these conversations to take place without reference to the political climate, current debates over health care reform, immigration, or other issues. In fact, there seemed to be little or no reference to the political context in these groups, because the issue was specifically addressed at the outset, compared with other qualitative research conducted earlier in the year.

The Denver focus groups took place in the very imposing and well-appointed Wells Fargo building downtown. Therefore, the moderator took extra time to remind participants to put aside current news about Wells Fargo and to not let the setting for the groups influence their thinking. This reminder also seemed to be very effective in setting a productive tone for the groups.

While participants clearly expressed a strong preference for the product features of Loan Product B – the reverse mortgage line of credit – over the HELOC, it is important to mention that they were not asked to evaluate the two home equity loan products in the context of either the costs to obtain the loan or the financial value gained from it. So it is possible that adding additional details on costs and loan amounts might have revealed additional important insights. Financial information was not included in the comparison — both in order to simplify the conversation — but also to be consistent in methodology with the quantitative research.

Conclusions

The focus group findings support results from the quantitative analysis that consumers are negatively influenced by the product name, reverse mortgage. When presented with product features only (without product names), consumers express clear preference for the features of the reverse mortgage. The focus group format also allowed an opportunity to explore the impact of product name after the names of Product A and Product B were revealed. Consumers acknowledge their surprise and lack of accurate understanding with regard to the features of both products. They also expressed an openness to learning more about a product that they would have otherwise dismissed based on preconceived misconceptions.

The research also confirmed the strong preference of older homeowners to age in place, with a strong attachment emotionally and logistically to their current home. And while some were able to articulate concerns as they aged – such as keeping up with home maintenance, or managing in their current environment should their health or mobility become impaired, few had given conscious thought to a “Plan B.” Most expressed a preference to deal with it when it happens.

Although few of the participants had engaged in financial planning with a professional advisor for retirement, most felt fairly well prepared for retirement. Upon further conversation, many acknowledged that they were basing this feeling more on hope than knowledge. And they expressed as much concern about being ready for the social, personal, and emotional changes of retirement as with the financial issues. Not surprisingly, the mass affluent groups felt more prepared financially for retirement than those in the middle income market.

With regard to the overall concept of an educational website on these topics, many participants did indicate comfort with using the internet for education on a broad range of issues such as those which emerge in retirement. Many, however, made a distinction between using the internet for a starting point for education and information more than as a place where they are comfortable making product transactions of the sort being discussed.

Overall, consumers liked the concept of the website content and functionalities, although they did not like seeing home equity finance products, in particular, reverse mortgages, included in the concept description. They indicated that, if the website content suggested, based on their specific personal situation, that it might be suitable to consider a reverse mortgage, they would be open to that recommendation, but they wouldn't immediately choose to go to a website that looked like it might try to direct them to products or services or make sales transactions under the guise of education.

Transparency with regard to all aspects of the website are critical to consumers. These include items such as:

- Confidentiality of user information
- No products or services sold, and
- How the website is sponsored, funded, and who benefits from it.

While participants were not readily familiar with NCOA, they responded favorably to the organization's description and were able to identify several components of the NCOA mission that gave them confidence in a website it might offer. Despite some skepticism about nonprofits, most preferred a nonprofit sponsor over a government or private business-run website for this kind of information and education. The concept of Standards of Excellence (SOE) was favorably received and seen as critical to consumer confidence with a site that had participating financial institutions and/or product content or information links. Finally, it was very important to participants that they be able to control the user experience with the website and that they can rely upon its promises about transparency, accuracy of information, and objectivity.

APPENDIX A – CONSUMER SURVEY QUESTIONS

Demographic Variables

D10. What is your gender?	Frequency
Female	50.90%
Male	48.70%
I prefer not to share	0.40%
N	**1002**

D20. What do you consider your ethnicity to be? (Select all that apply)	Frequency
Caucasian	90.12%
African American	2.17%
Caribbean American	0.59%
Hispanic	1.48%
Asian	2.87%
Asian Indian	0.30%
American Indian	0.69%
Middle Eastern	0.00%
Other	0.40%
I prefer not to share	14.00%
N	**1012**

D30. What is the highest level of education you have achieved?	Frequency
Some High School	0.50%
High School graduate	10.08%
Some College	23.35%
Technical School	6.59%
Bachelor's Degree	28.84%
Master's Degree	22.95%
Post-Doctorate or PhD	5.89%
Career training	0.60%
Other	0.90%
I prefer not to share	0.30%
N	**1002**
Single	6.49%
Married	74.75%
Divorced	8.58%
Living with a Partner	2.50%
Widow or Widower	6.39%
I prefer not to share	1.30%
N	**1002**

D50. What is your household income?	Frequency
Under $25,000	4.09%
$25,000-49,999	18.56%
$50,000-$74,999	19.36%
$75,000-$99,999	17.27%
$100,000-$124,999	11.38%
$125,000-$149,999	6.99%
$150,000-$174,999	3.19%
$175,000-$199,999	3.49%
Over $200,000	3.49%
I prefer not to share	12.18%
N	**1002**

D60. How long have you owned your current home (primary residence)?	Frequency
Under 2 years	4.59%
2-5 years	10.28%
6-15 years	29.54%
16-25 years	19.46%
26-35 years	19.76%
36-45 years	12.57%
More than 46 years	2.99%
I prefer not to share	0.80%
N	**1002**

D70. What is the current value of your home (primary residence)?	Frequency
Less than $50,000	1.90%
$50,001 - $100,000	6.79%
$100,001 - $200,000	25.15%
$200,001 - $300,000	20.96%
$300,001 - $400,000	13.37%
$401,000 - $500,000	8.58%
$500,001 - $750,000	8.68%
$750,000+	6.39%
I prefer not to share	8.18%
N	**1002**

D80. What is the outstanding balance on your mortgage?	Frequency
Home is fully paid for	55.89%
Less than $50,000	7.88%
$50,001 - $100,000	10.08%
$100,001 - $200,000	10.58%
$200,001 - $300,000	4.19%
$300,001 - $400,000	2.20%
$401,000 - $500,000	0.70%
$500,001 - $750,000	0.60%
$750,000+	0.40%
I prefer not to share	7.49%
N	**1002**

D90. Not including the value of your home, what is the total net worth of your household?	Frequency
Under $10,000	2.40%
$10,000-49,999	4.60%
$50,000-$74,999	2.40%
$75,000-$99,999	2.80%
$100,000-$124,999	4.50%
$125,000-$149,999	2.90%
$150,000-$174,999	2.70%
$175,000-$249,999	5.00%
$250,000-$499,999	13.09%
$500,000-$749,999	8.39%
$750,000-$1,000,000	7.59%
Over $1 million	15.38%
I prefer not to share	20.28%
Unsure/ Don’t know	7.99%
N	**1002**
Above 785	56.04%
677-785	18.88%
640-676	1.80%
600-639	1.00%

D90. Not including the value of your home, what is the total net worth of your household?	Frequency
500-599	0.50%
Below 500	0.20%
I am not sure	6.79%
I prefer not to share	5.99%
Unsure/ Don't know	8.79%
N	**1002**

P80. Which best describes the role your adult child(ren) play in your financial decision making processes?	Frequency
My child makes most of my financial decisions for me	0.42%
I share my thoughts with my child but the ultimate choice is mine	12.47%
I rely on my child to research financial options and help me make the best choices	2.33%
I do not include my child in my financial decision making	63.21%
I do not have adult children	21.56%
N	**1002**

Concern Variables

1=Currently concerned; 2=Concerned in the future; 3=Not at all concerned			
C10. Please indicate the degree to which you are concerned about each of the following financial challenges.	1	2	3
Having enough money to live comfortably in retirement	32.93%	36.03%	31.04%
Being able to pay for everyday living expenses	16.37%	33.63%	50.00%
Outliving your retirement savings	27.15%	41.72%	31.14%
Funding education	4.59%	5.69%	89.72%
Consolidating debt	7.68%	9.58%	82.73%
Paying off debt	14.37%	13.77%	71.86%
Maintaining my home	23.25%	41.12%	35.63%
Ability to make needed or desired major purchases (vehicle, appliance, etc.)	15.57%	43.31%	41.12%
Having enough money to travel	21.86%	30.74%	47.41%
Having money for medical care (hospitalization, nursing home, assisted living, home health care, etc.)	30.44%	52.10%	17.47%
Increasing medical expenses (Co-pays, prescriptions, durable medical equipment, etc.)	40.22%	46.21%	13.57%
Social Security going away	30.64%	37.72%	31.64%
Social Security not being enough	31.74%	35.43%	32.83%
Having cash for emergencies or urgent needs	27.45%	36.63%	35.93%
Providing financial help to family	12.28%	24.75%	62.97%
Having enough money to leave to my heirs	11.98%	20.56%	67.47%
N	1002		

1=Completely unconcerned; 2=Somewhat unconcerned; 3=Neither concerned nor unconcerned; 4=Somewhat concerned; 5=Very concerned					
C20. How concerned are you about the following while living in your current home during retirement?	1	2	3	4	5
Maintaining your home due to your own physical limitations	16.07%	17.27%	24.85%	34.73%	7.09%
Maintaining your home due to financial limitations	25.05%	19.86%	30.84%	19.06%	5.19%
Living too far away from your children/grandchildren	33.53%	16.27%	24.65%	19.46%	6.09%
Your neighborhood/community becoming less desirable due to changes with regard to residents and/or amenities	35.53%	20.66%	24.75%	15.67%	3.39%
Security/safety concerns when living on your own	23.05%	20.66%	27.45%	23.95%	4.89%
Inadequate transportation	29.84%	19.26%	28.74%	18.56%	3.59%
Your home is becoming too expensive to manage/maintain (taxes, repairs, etc.)	24.85%	20.96%	29.14%	20.86%	4.19%
Your home is too outdated to suit your current needs	39.12%	21.16%	27.35%	10.48%	1.90%
Needing to renovate your home but don't have the funds to do so	29.34%	20.66%	26.65%	19.06%	4.29%
Managing your daily routine when living on your own	24.45%	20.26%	30.84%	21.06%	3.39%
Loneliness or lack of available activities/involvement when living on your own	30.54%	20.86%	29.04%	16.67%	2.89%
N	1002				

Nursing and Bequest Variables

1 = Strongly disagree, 2 = Somewhat Disagree, 3 = Neither agree nor disagree, 4 = Somewhat agree, 5 = Strongly agree					
C30. Please share your level of agreement with each of these statements.	1	2	3	4	5
It's important that my family members inherit my home so that they can live there	41.42%	18.86%	26.65%	8.78%	4.29%
I want my family to have a financial inheritance from the equity in my home	20.36%	11.58%	28.64%	24.85%	14.57%
I want to stay in my current home as long as I can	4.59%	4.59%	14.67%	24.65%	51.50%
I plan to move to a Senior Community in the future	30.94%	15.17%	37.52%	13.27%	3.09%
I would prefer home care rather than going to an assisted living center or nursing home should my health require it	4.59%	5.59%	23.65%	31.64%	34.53%
I would prefer to get assisted living or nursing home care rather than home care should my health require it	32.83%	23.05%	29.54%	10.48%	4.09%
I would like to move into a home that's easier for me to maintain and maneuver within	24.05%	16.17%	30.54%	22.36%	6.89%
I would consider moving but need to keep the home for extended family members who live there with me	60.98%	15.47%	17.86%	4.19%	1.50%
N	1002				

Attitudes on Drawing Home Equity

1 = Strongly disagree, 2 = Somewhat Disagree, 3 = Neither agree nor disagree, 4 = Somewhat agree, 5 = Strongly agree					
C40. Please share your level of agreement with each of these statements regarding using your home as a future source of income:	1	2	3	4	5
I would consider drawing on the equity of my home to meet my expenses in retirement	26.35%	23.25%	30.14%	17.47%	2.79%
I would consider selling my home to meet my expenses	24.35%	18.86%	28.84%	22.16%	5.79%
N	1002				

Attitudes on Nonprofit Partnership with Lender

1=Much more likely; 2=Somewhat more likely; 3=Neither more nor less likely; 4=Somewhat less likely; Much less likely					
	1	2	3	4	5
AT70. If a lender were to partner with a national, not-for-profit organization that is focused on improving the health and economic security of older adults, how would that impact your likelihood to "consider" a reverse mortgage / RLOC from that lender?	5.29%	22.16%	62.38%	2.40%	7.78%
N	1002				

1=Much more likely; 2=Somewhat more likely; 3=Neither more nor less likely; 4=Somewhat less likely; Much less likely					
	1	2	3	4	5
AT80. And, what if the not-for-profit also evaluated the line of credit against standards of excellence and you knew that they were not being compensated for doing so? Would this make you more or less likely to "consider" a reverse mortgage / RLOC from that lender?	6.29%	27.54%	56.19%	3.29%	6.69%
N	529				

1 = Very unimportant; 2 = Somewhat unimportant; 3 = Neither important nor unimportant; 4 = Somewhat important; 5 = Very important					
P60. How important are the following criteria when considering home equity line of credit options?	1	2	3	4	5
Reputation/familiarity with the Bank or Lender, a known and trusted brand	3.69%	3.19%	17.07%	37.33%	38.72%
N	1002				

Attitudes towards RLOC

1 = Strongly disagree, 2 = Somewhat Disagree, 3 = Neither agree nor disagree, 4 = Somewhat agree, 5 = Strongly agree					
P50 Please indicate your level of agreement with the following statements about "Reverse Mortgage:"	**1**	**2**	**3**	**4**	**5**
I would not take out a reverse mortgage	5.59%	8.58%	26.05%	21.66%	38.12%
I would need to research more about reverse mortgages	7.68%	3.99%	22.55%	28.54%	37.23%
I would be comfortable taking out a reverse mortgage	37.23%	23.45%	27.05%	9.28%	2.99%
I don't like the idea of taking out a mortgage on my home	5.49%	5.29%	23.25%	22.55%	43.41%
A reverse mortgage sounds too risky	6.39%	10.88%	39.32%	23.05%	20.36%
I am afraid that I would lose my home if I took out a reverse mortgage	15.77%	15.67%	33.73%	18.86%	15.97%
I would only consider taking a reverse mortgage if I needed money and there were no other options available to me	10.68%	4.69%	21.56%	36.43%	26.65%
N	1002				

	Branded		Unbranded		
	HELOC	RLOC	LOC A	LOC B	Chi2
P30. Comparing {Line of Credit A} and {Line of Credit B}, which would you be more likely to select if you needed to or desired to borrow money against your home's equity?	67.67%	32.33%	42.49%	57.51%	***
N	529		473		

Likert Scale - 1 = Strongly disagree; 3 = Neither agree nor disagree; 7 = Strongly agree							
AT60. Please indicate how much you agree with each of the following statements regarding a reverse mortgage / RLOC:	**1**	**2**	**3**	**4**	**5**	**6**	**7**
I understand the pros and cons of a reverse mortgage	12.77%	9.38%	10.88%	30.14%	21.36%	9.48%	5.99%
A reverse mortgage is a "last resort" type of product	4.29%	3.39%	3.89%	24.45%	13.37%	16.67%	33.93%
I understand how a reverse mortgage works	10.18%	10.08%	9.78%	23.15%	27.25%	12.08%	7.49%
N	1002						

Table 2.9: I would consider drawing on home equity to meet retirement expenses			
	Model 1	**Model 2**	**Model 3**
Age of Respondent	-0.000271	0.000889	0.000476
Gender Male	0.0491*	0.0724***	0.0761***
Married or Living with Partner	0.00445	-0.00470	-0.00470
At least one adult child	-0.0421	-0.0240	-0.0301
Race Caucasian	-0.00807	0.0116	0.0142
High School Degree	0.0741	0.0764	0.0735
College Degree	0.0664	0.0745	0.0731
Income <50k	0.0893	0.0404	0.0426
Income >=50k and <100k	0.0161	-0.00920	-0.00907
Income >=100k and <150k	-0.0784	-0.105**	-0.100**
Home Owner Tenure 0-5 years	0.0231	0.0339	0.0333
Home Owner Tenure 16+ years	-0.0606**	-0.0552*	-0.0544*
Mortgage Fully Paid	-0.0480*	-0.0207	-0.0184
Home Equity >=50k & <$100k	0.0155	0.0169	0.0230
Home Equity >=100k & <$200k	0.0500	0.0743	0.0772
Home Equity >=200k & <$300k	0.0899	0.109**	0.109**
Home Equity >=$300k	0.128**	0.142**	0.148***
Home Equity is >50% of Net Wealth	0.102**	0.0838*	0.0817*
Non-Housing Wealth <100k	-0.0196	-0.0575	-0.0500
Non-Housing Wealth >=100 & <250k	0.0135	-0.00362	0.00200
Non-Housing Wealth >=250k & <1m	0.0377	0.0319	0.0291

Table 2.9: I would consider drawing on home equity to meet retirement expenses			
	Model 1	**Model 2**	**Model 3**
Midprime Credit Score 677-785	0.0957***	0.0906***	0.0869**
Subprime Credit Score below 677	0.185**	0.152**	0.156**
Previously owned a HELOC	0.101***	0.0978***	0.102***
Factor - home maintenance		0.0811***	0.0762***
Factor - money for retirement		0.0379***	0.0376***
Factor - paying off debt		0.0317**	0.0313**
Factor - helping family		-0.0291**	-0.0309**
Factor - medical expenses		0.00309	0.00280
Factor - social security		0.00769	0.00628
Family financial inheritance from home equity			0.0155
Family members inherit my home			0.0144
Want to stay in my current home as long as I can			0.0361
Plan to move to a Senior Community in the future			0.0419
Prefer home care			-0.0134
Prefer to get assisted living or nursing home care			0.0191
Constant	0.0635	-0.0433	-0.0590
Observations	1,002	1,002	1,002
R-squared	0.083	0.136	0.139

Standard errors in parentheses; all models control for missing data indicators (not shown)
*** p<0.01, ** p<0.05, * p<0.1

Table 2.10A-1: Definitely would not take a reverse mortgage			
	Model 1	**Model 2**	**Model 3**
Age of Respondent	0.00551*	0.00303	0.00273
Gender Male	-0.0507	-0.0784**	-0.0741**
Married or Living with Partner	0.0463	0.0564	0.0541
At least one adult child	0.0599	0.0458	0.0383
Race Caucasian	0.0580	0.0440	0.0554
High School Degree	0.0108	-0.000858	-0.00848
College Degree	0.0362	0.0185	0.0157
Income <50k	-0.255***	-0.180***	-0.171**
Income >=50k and <100k	-0.221***	-0.183***	-0.178***
Income >=100k and <150k	-0.0985	-0.0643	-0.0548
Home Owner Tenure 0-5 years	0.0217	0.0103	0.0137
Home Owner Tenure 16+ years	0.0790**	0.0649*	0.0680*
Mortgage Fully Paid	0.135***	0.100***	0.104***
Home Equity >=50k & <$100k	0.0568	0.0478	0.0537
Home Equity >=100k & <$200k	0.0316	0.00120	0.00276
Home Equity >=200k & <$300k	-0.0751	-0.0985	-0.102
Home Equity >=$300k	-0.0313	-0.0406	-0.0370
Home Equity is >50% of Net Wealth	-0.0379	-0.00886	-0.0133
Non-Housing Wealth <100k	0.0400	0.0972	0.105
Non-Housing Wealth >=100 & <250k	-0.0490	0.000460	0.0105
Non-Housing Wealth >=250k & <1m	-0.00626	0.0265	0.0216
Midprime Credit Score 677-785	-0.0313	-0.0209	-0.0273
Subprime Credit Score below 677	-0.133	-0.0946	-0.0949
Previously owned a HELOC	-0.0320	-0.0203	-0.0162
Factor - home maintenance		-0.0712***	-0.0810***
Factor - money for retirement		-0.0963***	-0.0956***
Factor - paying off debt		-0.0221	-0.0250
Factor - helping family		0.0327**	0.0280*
Factor - medical expenses		-0.0352**	-0.0343**
Factor - social security		-0.0196	-0.0242
Family financial inheritance from home equity			0.0121
Family members inherit my home			0.0695

Table 2.10A-1: Definitely would not take a reverse mortgage			
	Model 1	**Model 2**	**Model 3**
Want to stay in my current home as long as I can			-0.0215
Plan to move to a Senior Community in the future			0.0472
Prefer home care			0.00465
Prefer to get assisted living or nursing home care			0.0908**
Constant	0.0945	0.261	0.245
Observations	1,002	1,002	1,002
R-squared	0.073	0.132	0.141
Standard errors in parentheses; all models control for missing data indicators (not shown) *** p<0.01, ** p<0.05, * p<0.1			

Table 2.10A-2: Reverse Mortgage Resistance Scale			
	Model 1	**Model 2**	**Model 3**
Age of Respondent	0.0510**	0.0474**	0.0410*
Gender Male	- 0.756***	- 0.672***	- 0.691***
Married or Living with Partner	-0.0280	-0.108	-0.0301
At least one adult child	0.289	0.396	0.183
Race Caucasian	0.138	0.122	0.116
High School Degree	-0.746*	-0.614	-0.602
College Degree	-0.453	-0.343	-0.239
Income <50k	-0.314	-0.346	-0.438
Income >=50k and <100k	0.185	0.170	0.0413
Income >=100k and <150k	0.287	0.269	0.217
Home Owner Tenure 0-5 years	0.0127	0.0313	-0.113
Home Owner Tenure 16+ years	0.445*	0.410	0.340
Mortgage Fully Paid	0.147	0.0357	0.0126
Home Equity >=50k & <$100k	0.334	0.266	0.370
Home Equity >=100k & <$200k	0.268	0.223	0.269
Home Equity >=200k & <$300k	-0.0895	-0.195	-0.158
Home Equity >=$300k	-0.252	-0.330	-0.240

Table 2.10A-2: Reverse Mortgage Resistance Scale			
	Model 1	**Model 2**	**Model 3**
Home Equity is >50% of Net Wealth	-0.0692	-0.0526	-0.151
Non-Housing Wealth <100k	-0.652	-0.448	-0.358
Non-Housing Wealth >=100 & <250k	-0.983*	-0.754	-0.687
Non-Housing Wealth >=250k & <1m	-0.164	-0.0682	-0.0568
Midprime Credit Score 677-785	-0.450	-0.339	-0.434
Subprime Credit Score below 677	-1.486**	-1.414**	-1.325**
Previously owned a HELOC	-0.180	-0.162	-0.216
Factor - home maintenance		0.140	0.0287
Factor - money for retirement		-0.231*	-0.209*
Factor - paying off debt		-0.226*	-0.218*
Factor - helping family		-0.187	-0.224*
Factor - medical expenses		-0.0815	-0.0933
Factor - social security		0.0962	0.0557
Family financial inheritance from home equity			0.585**
Family members inherit my home			0.319
Want to stay in my current home as long as I can			0.794***
Plan to move to a Senior Community in the future			0.0890
Prefer home care			0.486*
Prefer to get assisted living or nursing home care			-0.311
Constant	13.60***	13.68***	13.09***
Observations	1,002	1,002	1,002
R-squared	0.054	0.066	0.094
Standard errors in parentheses; all models control for missing data indicators (not shown) *** p<0.01, ** p<0.05, * p<0.1			

Table 2.10B-2: Reverse Mortgage Product Knowledge Scale			
	Model 1	**Model 2**	**Model 3**
Age of Respondent	0.00402	-0.0153	-0.0132
Gender Male	1.032***	0.882***	0.869***
Married or Living with Partner	-0.274	-0.220	-0.203
At least one adult child	0.183	0.291	0.447
Race Caucasian	-0.00310	-0.153	-0.177
High School Degree	0.651	0.585	0.620
College Degree	0.994**	0.837*	0.864*
Income <50k	-0.664	-0.296	-0.289
Income >=50k and <100k	-1.046**	-0.863*	-0.847*
Income >=100k and <150k	-1.126**	-0.979*	-1.032**
Home Owner Tenure 0-5 years	0.200	0.125	0.125
Home Owner Tenure 16+ years	0.199	0.132	0.112
Mortgage Fully Paid	-0.00876	-0.188	-0.218
Home Equity >=50k & <$100k	-0.580	-0.713	-0.771
Home Equity >=100k & <$200k	0.180	-0.00341	-0.0144
Home Equity >=200k & <$300k	1.005*	0.843	0.815
Home Equity >=$300k	0.918	0.816	0.788
Home Equity is >50% of Net Wealth	0.0482	0.192	0.262
Non-Housing Wealth <100k	-1.285*	-0.835	-0.990
Non-Housing Wealth >=100 & <250k	-0.923	-0.483	-0.628
Non-Housing Wealth >=250k & <1m	-1.046**	-0.786*	-0.762*
Midprime Credit Score 677-785	0.509	0.620*	0.617*
Subprime Credit Score below 677	-0.0211	0.326	0.281
Previously owned a HELOC	0.394	0.481	0.495*
Factor - home maintenance		-0.298**	-0.255*
Factor - money for retirement		-0.654***	-0.659***
Factor - paying off debt		-0.134	-0.131
Factor - helping family		-0.0784	-0.0107
Factor - medical expenses		-0.195	-0.215*
Factor - social security		-0.432***	-0.413***
Family financial inheritance from home equity			-0.640**
Family members inherit my home			0.215
Want to stay in my current home as long as I can			0.0487

Table 2.10B-2: Reverse Mortgage Product Knowledge Scale			
	Model 1	**Model 2**	**Model 3**
Plan to move to a Senior Community in the future			-0.352
Prefer home care			0.186
Prefer to get assisted living or nursing home care			-0.0340
Constant	12.73***	13.91***	13.85***
Observations	1,002	1,002	1,002
R-squared	0.095	0.132	0.137
Standard errors in parentheses; all models control for missing data indicators (not shown) *** p<0.01, ** p<0.05, * p<0.1			

Table 2.11A: Want Family to Have Financial Inheritance from Home Equity			
	Model 1	**Model 2**	**Model 3**
Age of Respondent	0.00260	0.00199	0.00199
Gender Male	0.0110	0.0253	0.0253
Married or Living with Partner	-0.0181	-0.0231	-0.0231
At least one adult child	0.315***	0.264***	0.264***
Race Caucasian	-0.0714	-0.0245	-0.0245
High School Degree	0.0697	0.0439	0.0439
College Degree	-0.00645	-0.0192	-0.0192
Income <50k	0.0182	0.0516	0.0516
Income >=50k and <100k	0.0516	0.0749	0.0749
Income >=100k and <150k	-0.0382	-0.0222	-0.0222
Home Owner Tenure 0-5 years	0.0629	0.0711	0.0711
Home Owner Tenure 16+ years	0.0392	0.0236	0.0236
Mortgage Fully Paid	-0.00250	-0.0127	-0.0127
Home Equity >=50k & <$100k	-0.0889	-0.0981	-0.0981
Home Equity >=100k & <$200k	-0.0187	-0.0242	-0.0242
Home Equity >=200k & <$300k	-0.0374	-0.0451	-0.0451
Home Equity >=$300k	-0.0343	-0.0198	-0.0198
Home Equity is >50% of Net Wealth	0.116*	0.129**	0.129**
Non-Housing Wealth <100k	-0.153*	-0.164*	-0.164*
Non-Housing Wealth >=100 & <250k	-0.142**	-0.144**	-0.144**
Non-Housing Wealth >=250k & <1m	-0.00769	0.00728	0.00728
Midprime Credit Score 677-785	0.0385	0.0356	0.0356
Subprime Credit Score below 677	-0.0348	-0.0791	-0.0791
Previously owned a HELOC	0.0664*	0.0684**	0.0684**
Factor - home maintenance		0.0693***	0.0693***
Factor - money for retirement		-0.0308**	-0.0308**
Factor - paying off debt		0.00712	0.00712
Factor - helping family		0.100***	0.100***
Factor - medical expenses		-0.0329**	-0.0329**
Factor - social security		0.0471***	0.0471***
Constant	0.0268	0.0658	0.0658
Observations	1,002	1,002	1,002

Table 2.11A: Want Family to Have Financial Inheritance from Home Equity			
	Model 1	**Model 2**	**Model 3**
R-squared	0.106	0.182	0.182
Standard errors in parentheses; all models control for missing data indicators (not shown) *** p<0.01, ** p<0.05, * p<0.1			

Table 2.11B: It is important that my family members inherit my home			
	Model 1	**Model 2**	**Model 3**
Age of Respondent	0.000174	0.000271	0.000271
Gender Male	0.0148	0.0201	0.0201
Married or Living with Partner	-0.0243	-0.0265	-0.0265
At least one adult child	0.0648**	0.0409	0.0409
Race Caucasian	-0.0776**	-0.0476	-0.0476
High School Degree	0.0308	0.0198	0.0198
College Degree	-0.0639*	-0.0639*	-0.0639*
Income <50k	-0.00115	0.0130	0.0130
Income >=50k and <100k	-0.00403	0.00513	0.00513
Income >=100k and <150k	-0.00398	0.000971	0.000971
Home Owner Tenure 0-5 years	0.0496	0.0563*	0.0563*
Home Owner Tenure 16+ years	0.0527**	0.0442*	0.0442*
Mortgage Fully Paid	0.00710	0.00753	0.00753
Home Equity >=50k & <$100k	-0.170***	-0.164***	-0.164***
Home Equity >=100k & <$200k	-0.0938**	-0.0889**	-0.0889**
Home Equity >=200k & <$300k	-0.0254	-0.0188	-0.0188
Home Equity >=$300k	-0.0922*	-0.0744	-0.0744
Home Equity is >50% of Net Wealth	0.0450	0.0530	0.0530
Non-Housing Wealth <100k	0.0214	-0.000621	-0.000621
Non-Housing Wealth >=100 & <250k	0.0458	0.0398	0.0398
Non-Housing Wealth >=250k & <1m	0.0231	0.0329	0.0329
Midprime Credit Score 677-785	0.0959***	0.0885***	0.0885***
Subprime Credit Score below 677	0.0155	-0.0135	-0.0135
Previously owned a HELOC	-0.0251	-0.0224	-0.0224
Factor - home maintenance		0.0320***	0.0320***
Factor - money for retirement		-0.0211*	-0.0211*

Table 2.11B: It is important that my family members inherit my home			
	Model 1	Model 2	Model 3
Factor - paying off debt		0.0251**	0.0251**
Factor - helping family		0.0447***	0.0447***
Factor - medical expenses		-0.0193*	-0.0193*
Factor - social security		0.0439***	0.0439***
Constant	0.162	0.139	0.139
Observations	1,002	1,002	1,002
R-squared	0.075	0.127	0.127
Standard errors in parentheses; all models control for missing data indicators (not shown) *** p<0.01, ** p<0.05, * p<0.1			

Table 2.13: Product Branding Experiment: Choose Product B (RM) over Product A (HELOC)					
	Model 1	Model 2	Model 3	Model 4	Model 5
RM was Unbranded	0.252***	0.247***	0.247***	0.241***	0.178***
Gender Male		-0.0465	-0.0272	-0.0288	- 0.114***
Male*Unbranded					0.152**
Age of Respondent		0.00246	0.00285	0.00295	
Married or Living with Partner		0.0237	0.0126	0.0183	
At least one adult child		0.0340	0.0602	0.0657	
Race Caucasian		0.0114	0.0177	0.0123	
High School Degree		-0.00729	0.00695	0.00440	
College Degree		0.0351	0.0462	0.0441	
Income <50k		0.116*	0.0804	0.0828	
Income >=50k and <100k		0.0791	0.0626	0.0598	
Income >=100k and <150k		-0.0229	-0.0411	-0.0430	
Home Owner Tenure 0-5 years		-0.0192	-0.0115	-0.0165	
Home Owner Tenure 16+ years		-0.0365	-0.0339	-0.0390	
Mortgage Fully Paid		-0.0111	-0.00418	-0.00635	
Home Equity >=50k & <$100k		0.00213	-0.00397	-0.0136	
Home Equity >=100k & <$200k		-0.0602	-0.0519	-0.0553	

Table 2.13: Product Branding Experiment: Choose Product B (RM) over Product A (HELOC)					
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Home Equity >=200k & <$300k		-0.0223	-0.0232	-0.0249	
Home Equity >=$300k		-0.0438	-0.0480	-0.0584	
Home Equity is >50% of Net Wealth		0.0130	0.00442	0.0104	
Non-Housing Wealth <100k		-0.0502	-0.0546	-0.0728	
Non-Housing Wealth >=100 & <250k		-0.0788	-0.0698	-0.0903	
Non-Housing Wealth >=250k & <1m		-0.0120	-0.0102	-0.00463	
Midprime Credit Score 677-785		-0.0246	-0.0183	-0.0210	
Subprime Credit Score below 677		0.144	0.143	0.148	
Previously owned a HELOC		-0.0956***	-0.0971***	-0.0993***	
Factor - home maintenance			0.0545***	0.0595***	
Factor - money for retirement			0.00567	0.00803	
Factor - paying off debt			-0.00280	-0.00236	
Factor - helping family			-0.0419***	-0.0355**	
Factor - medical expenses			0.0178	0.0172	
Factor - social security			-0.00216	-0.00160	
Family financial inheritance from home equity				-0.0216	
Family members inherit my home				-0.00952	
Want to stay in my current home as long as I can				0.0493	
Plan to move to a Senior Community in the future				-0.0981**	
Prefer home care				-0.00945	
Prefer to get assisted living or nursing home care				0.0511	
Constant	0.323***	0.179	0.126	0.123	0.378***
Observations	1,002	1,002	1,002	1,002	1,002
R-squared	0.064	0.091	0.110	0.117	0.072
Standard errors in parentheses; all models control for missing data indicators (not shown) *** p<0.01, ** p<0.05, * p<0.1					

Table 2.15A: More Likely to Consider RLOC if Nonprofit Partnership			
	Model 1	**Model 2**	**Model 3**
Age of Respondent	-0.00139	-3.84e-05	-0.000751
Gender Male	-0.0168	0.0115	0.0178
Married or Living with Partner	-0.00131	-0.0157	-0.0129
At least one adult child	0.0192	0.0399	0.0381
Race Caucasian	-0.00141	0.0188	0.0151
High School Degree	0.0886*	0.105**	0.103**
College Degree	0.105**	0.122**	0.117**
Income <50k	0.0717	0.0180	0.0215
Income >=50k and <100k	0.0176	-0.00535	-0.00848
Income >=100k and <150k	0.0169	-0.00831	-0.00491
Home Owner Tenure 0-5 years	-0.119***	-0.105**	-0.107**
Home Owner Tenure 16+ years	-0.110***	-0.105***	-0.104***
Mortgage Fully Paid	-0.0395	-0.0245	-0.0228
Home Equity >=50k & <$100k	0.149**	0.148**	0.141**
Home Equity >=100k & <$200k	0.0813	0.0969*	0.0935*
Home Equity >=200k & <$300k	0.0931	0.0974	0.0960
Home Equity >=$300k	0.0389	0.0383	0.0387
Home Equity is >50% of Net Wealth	0.00259	-0.00950	-0.00486
Non-Housing Wealth <100k	-0.0416	-0.0726	-0.0727
Non-Housing Wealth >=100 & <250k	-0.0243	-0.0366	-0.0377
Non-Housing Wealth >=250k & <1m	-0.0616	-0.0714	-0.0697
Midprime Credit Score 677-785	0.0452	0.0448	0.0427
Subprime Credit Score below 677	0.0884	0.0742	0.0817

Table 2.15A: More Likely to Consider RLOC if Nonprofit Partnership			
	Model 1	**Model 2**	**Model 3**
Previously owned a HELOC	0.0711**	0.0652**	0.0685**
Factor - home maintenance		0.0782***	0.0744***
Factor - money for retirement		0.0316**	0.0303**
Factor - paying off debt		0.00666	0.00881
Factor - helping family		-0.0338**	-0.0279*
Factor - medical expenses		0.0452***	0.0415***
Factor - social security		0.0189	0.0207
Family financial inheritance from home equity			-4.57e-05
Family members inherit my home			-0.0503
Want to stay in my current home as long as I can			0.108***
Plan to move to a Senior Community in the future			0.0175
Prefer home care			-0.00894
Prefer to get assisted living or nursing home care			0.0397
Constant	0.308	0.192	0.159
Observations	1,002	1,002	1,002
R-squared	0.064	0.113	0.124
Standard errors in parentheses; all models control for missing data indicators (not shown) *** p<0.01, ** p<0.05, * p<0.1			

Table 2.15B: More Likely to Consider RLOC if Nonprofit Standards of Excellence			
	Model 1	**Model 2**	**Model 3**
Age of Respondent	-0.00431	-0.00267	-0.00304
Gender Male	-0.0614**	-0.0299	-0.0279
Married or Living with Partner	0.0484	0.0330	0.0345
At least one adult child	0.0173	0.0410	0.0426
Race Caucasian	-0.000504	0.0126	0.00874
High School Degree	0.0564	0.0762	0.0813
College Degree	0.102*	0.122**	0.124**
Income <50k	0.0530	-0.0127	-0.0145
Income >=50k and <100k	0.00291	-0.0279	-0.0321
Income >=100k and <150k	-0.00136	-0.0315	-0.0364
Home Owner Tenure 0-5 years	-0.0793*	-0.0668	-0.0677
Home Owner Tenure 16+ years	-0.0977***	-0.0887***	-0.0878***
Mortgage Fully Paid	-0.0697**	-0.0505	-0.0520
Home Equity >=50k & <$100k	0.0856	0.0839	0.0704
Home Equity >=100k & <$200k	0.0447	0.0635	0.0566
Home Equity >=200k & <$300k	0.0928	0.0990	0.0962
Home Equity >=$300k	0.0398	0.0370	0.0360
Home Equity is >50% of Net Wealth	-0.0619	-0.0824	-0.0786
Non-Housing Wealth <100k	0.0353	0.00499	0.00381
Non-Housing Wealth >=100 & <250k	0.0611	0.0421	0.0461
Non-Housing Wealth >=250k & <1m	-0.00765	-0.0256	-0.0217
Midprime Credit Score 677-785	0.000448	0.00163	0.00423
Subprime Credit Score below 677	0.0566	0.0377	0.0370
Previously owned a HELOC	0.119***	0.111***	0.108***
Factor - home maintenance		0.0797***	0.0757***
Factor - money for retirement		0.0557***	0.0536***
Factor - paying off debt		-0.00115	0.00186
Factor - helping family		-0.0433***	-0.0369**
Factor - medical expenses		0.0405***	0.0357**
Factor - social security		0.0139	0.0168
Family financial inheritance from home equity			-0.0124
Family members inherit my home			-0.0568
Want to stay in my current home as long as I can			0.0449
Plan to move to a Senior Community in the future			0.0167

Table 2.15B: More Likely to Consider RLOC if Nonprofit Standards of Excellence			
	Model 1	**Model 2**	**Model 3**
Prefer home care			0.0536
Prefer to get assisted living or nursing home care			-0.0132
Constant	0.552***	0.427**	0.394*
Observations	1,002	1,002	1,002
R-squared	0.062	0.114	0.121
Standard errors in parentheses; all models control for missing data indicators (not shown) *** p<0.01, ** p<0.05, * p<0.1			