

## **Seniors open up mortgage borrowing**

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Dave Hall

With the number of seniors in Canada expected to double in the next 20 years as baby boomers age, a new international player has entered the reverse mortgage market.

Established in New Zealand, Seniors Money International has opened up shop in Ontario with plans to spread across the country by late 2008.

Until September, this market was dominated by Toronto-based Canadian Home Income Plan but there's now competition in the marketplace for Canadians 60 years of age and older who want to use the equity in their home for ongoing or one-time expenditures.

Nick DiRenzo, a University of Windsor graduate who is president and CEO of Seniors Money's Canadian branch, said "the number of people eligible for reverse mortgages is growing extremely quickly and will continue to grow over the next two decades."

While some reverse mortgage applicants are shown in advertisements using the money for massive home renovations or trips around the world, DiRenzo said for most, money generated from their home's equity is used for more practical purposes.

"It might be for a new roof, or to set up their children in a business, provide their children with a down payment on their own home or fund their children's university education," said DiRenzo. "It might even be used to help them take care of aging parents or any other everyday needs. It's not often about buying a house in France."

Essentially, reverse mortgages allow those 60 and older who own their own homes outright to borrow a certain percentage of the value of their home. There are no payments but interest accumulates, in Seniors Money's case, at 7.5 per cent per year and the loan amount is repayable once the homeowner either sells or passes away.

At age 60, a reverse mortgage is limited to 15 per cent of the home's appraised value and increases by one per cent each year up to a maximum of 45 per cent at age 90.

"Typically, by the time the homeowner is ready to pay it off, there's at least 50 per cent of the equity remaining," said DiRenzo. "And if, by some chance the market and a client's lifespan combines to leave them owing more than the value of the home at the end, we would eat the difference.

"You will never owe more than your home is worth," said DiRenzo.

DiRenzo said the growing popularity of reverse mortgages results from people living longer, having pensions that do not allow them to replicate their earlier lifestyles and a belief that they want to enjoy their money while they can.

But anyone considering reverse mortgages should seek independent legal or financial advice and weigh other options, such as conventional loans and lines of credit.

According to DiRenzo, Seniors Money offers a one-stop service which includes home appraisals, title insurance and legal fees for a pre-set price. There are no penalties or interest adjustments for early repayment and the company offers equity protection insurance which guarantees 50 per cent equity once the loan is repaid for a fee of \$295.

Locally, Seniors Money is represented by Steve Bosco at 519-979-8182.

Seniors Money also operates in Australia, Ireland, Israel, Spain and South Africa.

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Illustration:

- Photo: Nick DiRenzo