

# **Clark County Commission on Aging**

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**July 19<sup>th</sup>, 2016**

**Financing Options for Remodeling, Renovating,  
Retrofitting, and New Construction for the Seniors  
& Boomers in Our Community**

# About Mark Eshelman

- ▶ **I've been a Loan Officer in Clark County for 20 years focusing on Reverse Mortgages the last 4-5 years.**
- ▶ **Certified Senior Advisor, CSA.**
- ▶ **An approved Real Estate Finance Instructor.**
- ▶ **Member of the Housing Committee for The Clark County Commission on Aging for nearly 4 years.**
- ▶ **Published author; 2 magazine articles in the *CSA Journal* and contributed a chapter to Chuck Price's book, "Investing Simplified." Currently working on my 3<sup>rd</sup> article for the *CSA Journal*.**

# Aging In Place: How Do We *Pay* For It?

## ▶ 1. Remodeling, Renovating and Retrofitting Options



## ▶ 2. New Construction Options



# Remodeling, Renovating and Retrofitting

## ▶ 1. Financing Options for Low to Moderate Income



## ▶ 2. Financing Options Without Income Limitations



## Renovating with Low to Moderate Income

- ***Clark County Housing Rehabilitation Program***
- **John is 78 years old and has lived in his Orchards home for over 26 years. His wife passed away about 4 years ago, so his household income comes from his social security and the \$15,000 left in his IRA. John's not getting around like he used to and occasionally needs to use a walker.**
- **John's home is tax assessed at \$240,000 and he owes about \$25,000 on Home Equity Line of Credit (HELOC). He keeps his property taxes and home insurance paid current.**
- **John's home has not been updated in nearly 20 years and needs a new roof, new gutters and downspouts, grab bars around the toilet and shower, and just in case, a small wheel chair ramp for the back deck.**

## Renovating with Low to Moderate Income

- ▶ ***City of Vancouver Housing Rehabilitation Program***
- ▶ **Pete and Susan are 68 and live in the Heights. They bought their current home 4 years ago with a 10% down payment loan. Recently retired, Pete was self-employed for most of his life, so he doesn't have a retirement pension. Susan worked part-time and raised the kids. Their combined social security income is \$1,500/month and they have about \$22,000 left in retirement savings.**
- ▶ **They found out the sub-flooring under the kitchen has severe dry rot due to some old leaky pipes. This leak also damaged some insulation and electrical components. The repairs will cost nearly \$20,000.**

# Renovating with Low to Moderate Income

## *USDA Single Family Housing Repair Loans & Grants*

- **Carol is 65 and lives in Ridgefield in the same home she raised her kids and two grandchildren. She now uses a wheelchair and has trouble getting around her home. She only receives \$1,200/month in social security income from her deceased husband.**
- **Carol has a large tree next to her home that is dying and may fall on her house. She also needs the roof replaced, new electrical panel, and a sump pump in the crawl space. The biggest need she has is retrofitting her bathroom to make it easier to use in a wheelchair. These repairs and retrofitting total \$27,000.**

## Renovating with Low to Moderate Income

- ▶ **Habitat for Humanity – A Brush With Kindness**
- ▶ **Joyce is retired and lives in Washougal where she's owned her home for over 18 years. She lives on her social security income of \$1,150/month. The outside of her home is in need of minor repairs and the landscaping has been tough to keep up with. She isn't able to do the work herself anymore.**
- ▶ **What she got help with was new paint and caulking around her home's exterior, big shrubs and bushes trimmed down or removed, and an old garden shed torn down and removed. Valued at over \$6,000.**

# Financing Options Without Income Limitations

- ▶ **Fannie Mae HomeStyle Renovation Loan**
- ▶ **Bill and Marcy would like to buy a home on a small acreage lot because one of their retirement hobbies is gardening. They need some space! They've found a great deal on a home in Brush Prairie for \$325,000, but the home needs about \$95,000 of updating and additions to make this home the way they want it.**
- ▶ **They can add a sun room, remodel the kitchen and bathrooms, all new carpet/tile and paint, along with a new energy efficient furnace. All of this with only 5% down payment toward the purchase price and renovation costs (approximately \$21,000).**

# Financing Options Without Income Limitations

## ▶ **FHA 203K Renovation Loans**

- ▶ **Phil is retired and recently divorced. He's looking for a new home to buy, but he doesn't have much for a down payment available. He found a fixer-upper home in Vancouver for \$210,000 and wants to renovate it, but it's not habitable now.**
- ▶ **Phil can have a new roof, siding, painting, updated plumbing and electrical, new carpet, and all new appliances that'll cost \$75,000. Even though his new home will only appraise at \$265,000, he needs less than \$10,000 for his complete down payment.**

## Financing Options Without Income Limitations

- ▶ **FHA's Reverse Mortgage, also known as the Home Equity Conversion Mortgage, or HECM**
- ▶ **Ron and Shirley are 76 and have over \$140,000 in retirement savings. Their home is worth \$325,000. They only owe about \$40,000 on their HELOC, but they'd like to remodel their home and add some of the Universal Design options, so they can age-in-place.**
- ▶ **They could use their Reverse Mortgage proceeds to payoff the \$40,000 HELOC and still have up to \$155,000 to use for remodeling/retrofitting their home at their own pace. All with NO monthly mortgage payments. They would still need to pay their own property taxes and home insurance.**

## Financing Options Without Income Limitations

- ▶ **New Construction Financing – Sooo Many Options!**
- ▶ **Ray and Karen are 73 & 71. Ray was diagnosed with Parkinson's disease and is having difficulty getting around their current home. They've heard of Universal Design homes that help homeowners Age-In Place because of the accessibility features these homes have.**
- ▶ **Currently in Clark County, there are construction loan programs that require as little as 5% down payment. Some construction loan programs have modification options to roll in to permanent financing. Numerous builders in Clark County will finance the construction for their buyer, so all the buyer needs to do is obtain the permanent financing of their choice.**

## Tax benefits to Remodeling & Retrofitting

- ▶ **IRS Publication 502 – Capital Expenses & Deductible Medical Expenses**
- ▶ **Phyllis has severe arthritis and a heart condition. She can't climb stairs or get into a bathtub any longer. On her doctor's advice, she installs a bathroom with a roll-in shower on the first floor of her two story home. The total cost for improvements was \$14,000. However, with the added bathroom her home's value went up \$6,000.**
- ▶ **This means, Phyllis can include \$8,000 in her medical expenses for her Itemized Deductions (Schedule A).**