

Elder *Care*

**FINANCIAL
AWARENESS**

YOUR HOME AND ESTATE

PRESENTER GUIDE

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WELCOME, PRESENTERS

Welcome to the ElderCare program and thank you for putting in the time to teach this important material to senior citizens.

The unfortunate rise of financial elder abuse is extremely disturbing and we hope that the advent of this program will end the exploitation of some of our most valued citizens. As you use the ElderCare program, remember that senior citizens have wisdom to share and allow their experiences and thoughts to season your lessons. Be patient, and speak clearly.

You have the entire Participant Guide in this packet, and it's often best to teach from that information. Elaborate when it is necessary. Introducing outside scenarios and experience is encouraged so that seniors apply the information to their everyday lives. Be creative: remember, this is valuable information, and seniors will appreciate the time you put in to help them!

Topics You'll Be Covering

- Identifying the signs of a financial scam.
- Recognizing how mortgages can be manipulated into scams.
- Learning how to protect individuals from different financial scams.
- Demonstrating the steps to take if a person suspects being a victim of a financial scam.

Presentation Pointers

- Complete your presentation in an hour or less.
- Be sure to allow opportunities for interactive communication.
- Senior citizens are NOT teenagers or young adults—they do not process or retain information in the same way a young adult does.
- Presenters should gauge the level of “senior savvy” by asking interactive topical experience questions at the beginning of the presentation.
- Seniors are wise and proud—they may not be willing to ask questions if they don't understand.
- Seniors learn best from one another. Consider asking them if their friends have experienced any of these situations, and encourage them to share their experiences.

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FINANCIAL AWARENESS INTRODUCTION

The goal of the ElderCare program is to stop financial abuse of senior citizens and give you the tools to take control of your finances.

After going through this program, you will be able to:

- Recognize common financial scams.
- Understand the negative effects scams can have on your financial resources.
- Identify trustworthy sources of financial advice and assistance.

Be S.M.A.A.R.T.

Stop! Take time to think through any financial decisions you make.

Make decisions on your own time, not because others pressure you to decide quickly. Never fall for high-pressure sales tactics.

Avoid businesses that contact you directly. You know your needs best and can contact services when you need them.

Ask questions about any financial deal you make. Know what you are entering into and that it is exactly what you want.

Research your options before making decisions.

Talk to people you trust before making a financial decision.

A recent study estimates that the elderly are swindled out of nearly \$3 billion each year.

Another study found that 1 in 5 senior citizens had been the victim of a financial scam.

43% of Americans spend more money than they earn.

YOUR HOME

OBJECTIVE: To educate seniors on the dangers of mortgage scams. By the end of the lesson, seniors should understand why foreclosure rescue and loan scams happen, the common sales tactics and characteristics of predatory lenders, and how to identify reputable resources for financial advice.

TOPICS COVERED:

- *Foreclosure rescue scams*
- *Reverse mortgages*
- *Predatory mortgage loans*
- *Recognizing how mortgages can be manipulated into scams*

INTERACTIVE ELEMENT:

Discuss the real-life hypothetical situation, “Mortgage Mania.”

Read the situation as a group. Feel free to ask additional questions about the scenario. *Discussion questions are included at the end of this section.*

YOUR HOME | FORECLOSURE RESCUE SCAMS, REVERSE MORTGAGES, & PREDATORY MORTGAGE LOANS

This lesson should be used to educate seniors about the dangers of mortgage scams. By the conclusion of the lesson, participants should be able to:

- *Understand the financial dangers of foreclosure rescue and loan scams.*
- *Identify common sales tactics and characteristics of predatory lenders and foreclosure scammers.*
- *Identify reputable resources for financial advice.*

<i>Objectives</i>	Participants should be able to identify the common characteristics of predatory loans and foreclosure rescue scams. By understanding the dangers and characteristics of risky loans, participants will be able to make beneficial financial decisions.
<i>Information</i>	Review materials in the participant guide with the group.
<i>Verification Activity</i>	Group discussion of a real-life hypothetical situation. Decide what actions the group thinks would be appropriate to take in the hypothetical circumstances.
<i>Summary</i>	Participants will leave the presentation being able to recognize the common characteristics and dangers of predatory loans/risky loans and foreclosure scams.

YOUR HOME

The things that mean the most to us, like our homes, are often the targets of financial scams. Know what these deceptions and scams look like so you can protect your home.

Foreclosure Rescue Scams

These “rescue” programs promise to negotiate a deal with a struggling homeowner’s mortgage company for a fee. These companies claim to assist in the loan modification process and help a homeowner catch up on their mortgage payment.

PROTECT YOURSELF

Scam foreclosure programs often contact you directly because they know many senior citizens have to tap into their home equity in order to pay expenses like medical bills.

Do not use programs that make promises of “guaranteed” results.

Do not use companies who require you to pay a large amount of money up front.

Do not use programs that instruct you not to contact your mortgage lender, financial planner or attorney.

Be suspicious of companies who rush you through paperwork without giving you time to read and understand what you are signing.

Never sign over the deed to your house when a company promises you can “buy it back” later.

Reverse Mortgages

Reverse mortgages are a special type of home loan designed for people over age 62. It allows the homeowner to convert a portion of the equity in their home into cash in a lump sum or to receive it according to a finance plan. It can be a safe plan to increase financial security.

The amount of a reverse mortgage will increase over time, so plan accordingly.

Reverse mortgages don't often have fixed interest rates. The rates vary based on market conditions.

A reverse mortgage can use some or all of the equity in your home and can leave you and your heirs with fewer assets. In order to retain ownership of the home, you usually must repay the loan in full, even if the loan balance is greater than the value of the home.

Before entering into a reverse mortgage agreement, borrowers must have a counseling session with a Housing and Urban Development (HUD) approved counselor. This costs little to no money.

All of the preparation required for a reverse mortgage, such as finding an approved lender and gathering information on the process, IS FREE. Don't get scammed into paying for these services! And take your time.

PROTECT YOURSELF

Do not pay companies to find lenders or counselors, or to give you information. It is illegal for third parties to charge for these reverse mortgage services.

Do not use lenders who refer borrowers to a specific counselor. Lenders are required to provide borrowers with a list of potential counselors.

Do not pay a lender for "estate planning costs." All of this information is free through Housing and Urban Development (HUD) and Federal Housing Authority (FHA).

Be careful about high-pressure sales tactics. If you don't understand any part of a reverse mortgage plan offered to you by a seller, or if you feel pressured to complete the deal, don't do business with that person.

You have the right to cancel most reverse mortgages within three business days after closing without penalty. To cancel, you must notify the lender in writing. Keep all documentation and records of the deal. After you cancel, the lender has 20 days to return any money you've paid them.

Predatory Mortgage Loans

Predatory lenders often try to take advantage of senior citizens by offering loans secured by your home. These loans have high interest rates and hidden or excessive fees, which may cause you to fall behind on your loan payments and face foreclosure.

Common Predatory Loan Scams:

1. Foreclosure Rescue

In this scam, a “specialist” will offer to work on behalf of a client who is close to foreclosure in order to save the home. In reality, this person charges a high fee to make some phone calls or complete paperwork that the homeowner could do on his own.

2. Lease/Buy Back

This scam involves a homeowner who is lured into signing over the deed to their house to a person who tells them they can remain in the home as a renter and eventually buy it back. The homeowner is often unable to buy the home back.

3. Non-Traditional Products

Sometimes lenders offer loans in which the payments do not cover the principal and interest due on the loan. The loan balance and payments continue to grow until the homeowner is unable to make payments and faces foreclosure.

4. Deceptive Loan Servicing

A lender may provide inaccurate account statements and fail to properly apply the loan payments making it impossible for you to tell how much you've paid. You may end up paying more than you owe.

PROTECT YOURSELF

Understand the interest you are paying. The mortgage may start with a low rate that increases after the introductory period.

Beware of high closing costs and fees.

Ask about prepayment penalties. These allow the lender to make more profit if the homeowner needs to refinance.

Get help if you are asked to refinance a loan. Lenders may offer to refinance the loan for a large fee when the senior is at risk of default.

Understand steering and targeting. Predatory lenders sometimes target seniors who they believe will not be able to repay the loans. Those already facing financial problems with their home are especially susceptible to other predatory tactics looking to take advantage of their vulnerability.

Mortgage Mania

Mr. Smith is a 70-something retiree who has lived in his home for 20 years. He has been able to live comfortably off his pension and social security. However, he has recently developed some health problems that make it difficult for him to afford regular living expenses. Since he has a significant amount of equity in his home, he is considering a reverse mortgage on his home to help out with his extra expenses.

1. Is this a good idea?

Mr. Smith decides to take steps to obtain a reverse mortgage. He calls Easy Mortgage Inc. for some additional information. They tell him that they are happy to lead him step-by-step through the entire process for the low cost of \$4,500. Additionally, they recommend that he visit Easy Mortgage Counseling Inc. for his financial counseling necessary for the reverse mortgage.

2. Should Mr. Smith go through with the reverse mortgage? Why or why not?

Instead of getting a reverse mortgage, Mr. Smith decides to try downsizing after Easy Mortgage Inc. suggests that he look into buying a home from their partner company—one who specializes in buying homes in foreclosure. They tell him that he should get a mortgage on the home and that he should go ahead and proceed with the entire mortgage process before they have it appraised so that he can get that over with. They also mention that he should sign over the title to the home to them to ensure that everything goes smoothly.

3. Is this a good alternative for Mr. Smith?

Mr. Smith had second thoughts about buying another home, so he started to rethink getting the reverse mortgage on his current home. Sensing that he was reluctant to buy, Easy Mortgage Inc. offers to set up a reverse mortgage on his own home if he will invest in part of their real estate fund.

4. Should Mr. Smith agree?

5. What other alternatives does Mr. Smith have if he decides against the reverse mortgage, but still wants to make some money to cover his extra expenses?

YOUR ESTATE | LIVING TRUST SCAMS

This lesson should be used to educate seniors about the dangers of living trust scams. By the conclusion of the lesson, participants should be able to:

- *Understand the basics of setting up a trust.*
- *Understand the dangers of financial trust scams.*
- *Identify common sales tactics used by living trust scam artists.*
- *Develop responses/action plans to combat high-pressure sales tactics used by home improvement scam artists.*

<i>Objectives</i>	Participants should be able to identify the common characteristics of living trust scams, including common sales tactics and the sequence of events that usually lead to the perpetration of these scams on the elderly. By understanding the dangers and characteristics, participants will pass up aggressive sales tactics used by scam artists.
<i>Information</i>	Reference the participant guide and point out key characteristics of living trust scams.
<i>Verification Activity</i>	Discussion of the group's current notions of the probate system, setting up a living trust and where they get these notions.
<i>Summary</i>	Participants will leave the presentation being able to recognize the common characteristics and dangers of living trust scams. The presentation will help dispel any false information participants may have already received about estate planning.

YOUR ESTATE

Living Trusts

A living trust is an estate planning tool that can be used to help your loved ones avoid the cost of probating your estate after your death. It can reduce estate taxes and help manage your property and assets in the long term.

A living trust is a legal arrangement where one person, called a trustee, holds legal title to property of another person, called a beneficiary. You can be the trustee of your own living trust and keep control over all your property.

However, companies often use high pressure sales tactics to misrepresent and exaggerate the necessity and benefits of a living trust in effective estate planning.

Common Exaggerations of Living Trust Companies:

- Overstatement of the length and cost of probate.
- Misrepresentation of the tax advantages of a living trust.
- False claims that living trust salespeople are attorneys.
- False information about what is required to establish a living trust.
- False claims that creditors can't go after property in a living trust.

PROTECT YOURSELF

Explore your estate planning options with a trusted attorney or financial advisor.

Check out any organization offering to sell you a living trust kit with the Better Business Bureau.

You have the right to cancel a living trust within three days of purchasing it.