

Voiceover: You're listening to Real Life Renos with Karen Brown and Melissa Schenk. The show where this dynamic duo gets real about your life because change happens to more than just your home.

Melissa Schenk: Hello everyone, I'm Melissa.

Karen Brown: And I'm Karen.

Melissa Schenk: And on today's show we are going to be talking with executive vice president Yvonne Ziomecki at Home Equity Bank. Hello Yvonne.

Yvonne Ziomecki: Hi, how are you?

Melissa Schenk: Hey, I'm so happy to have you on the show today because you do something very different that not a lot of banks necessarily offer. And what I've wanted to first do before we dive into the different products that you offer is, how did you first get involved with Home Equity Bank?

Yvonne Ziomecki: That's a great question. So I've been at Home Equity Bank for almost six years now and before that I worked for American Express. And it's a funny story. I actually got headhunted for the job and I didn't know very much about reverse mortgages. So I went online and I did a lot of research and I thought, "This is a great product for a fantastic demographic that's just growing and only going to get bigger." The product helps people stay in home and enjoy their retirement years. And it's because it was growing and booming, I thought, "This is something I really want to get involved in." And so I left Amex, I left my 12 year career there, never looked back. And I have been enjoying a very, very successful run here at Home Equity Bank.

Melissa Schenk: Very cool. Okay. So I know that before we get into this, I know you've got lots of stories that you can tell us about people and families that you've helped. I wanted to qualify this. Now, can you explain to me, do you work exclusively with Canadians that are 55 and over? Or do I have that right or do I have the wrong?

Yvonne Ziomecki: You have it absolutely right. So the product that we offer is for Canadians 55 and older exclusively, who are homeowners. Well, our average customer is actually around 70, 72 years old, but the product is offered to anybody who's 55 and older. Yes.

Melissa Schenk: Okay. So was that more of a conscious decision then? You're really like advocates for the older aging generation.

Yvonne Ziomecki: Yes. The people more we need to change as they go through life and we want to focus on people who are either nearing retirement or you know, thinking about

it, who own homes and who want to use their homes as part of their retirement plan because you know, there's a range of things that they may want to do. There's travel, there's renovation, so up so on. But we consciously offer just one product category to just this one demographic because we want to do it really, really well and we understand them very well. We've been doing it for over 30 years.

Melissa Schenk: Yvonne, can you explain to us exactly what a reverse mortgage is and how it works? I'm sure a lot of our listeners won't know or maybe haven't heard the complete explanation.

Yvonne Ziomecki: Absolutely. That's part of my job and I love doing it. So, a reverse mortgage is basically a mortgage for people 55 and older. And the only difference is that you actually don't have to make any payments on the mortgage. So the best way is just to explain it, you know, if you have a house that's worth \$600,000 and, you know, you need money to either supplement income or you need money to do some renovation, something like that, we will lend you, let's say \$100,000. What happens at the end of the first year is you actually have an option on that \$100,000 let's say interest is you know, five and a half percent. You can pay us the interest if you want to. And if you don't want to pay us the interest, it just gets added to your balance. So at the end of the first year, let's say you didn't pay it, it's a \$100,000, \$100,500.

Yvonne Ziomecki: During the time during that year, that \$600,000 home hopefully increases in value. And then at the end of the second year, again, you have an option to pay interest and hopefully the house continues to increase in value. So basically you don't have to make any payments as long as you stay in the home, which is a very attractive look for people who are in their retirement, sometimes on fixed income and they want to stay in a home, they want to realize the future value of it increasing, but they don't want to downsize, they don't want to move so that's what the product is. 55 and older, you need to own your own home, we advance you the money and then as long as you stay in the home, you don't have to make any payments.

Melissa Schenk: And is there a percentage of a home's value that is eligible for a reverse mortgage or is that something that's assessed individually?

Yvonne Ziomecki: Excellent question. So we will land up to 55% of the value of the home.

Melissa Schenk: 55% okay.

Yvonne Ziomecki: 55%, so let's say it's easier if we use \$1 million home. So we would land after a \$550,000 but it's on the scale. So if you're only 55 years old, you know, we would not be lending you that much money. We would only lend you 20% of the value of the home because we know people are living longer, they're healthier,

they're staying in the home. We want to make sure you don't outlive your money. When you get into the late 70s, that's when you would be eligible for the maximum for that 55%. On average our clients bore about 30% of the equity in the home. I'm sorry. They qualify for about 30% of the equity in the home. So there's a lot more room, you know, between 30 and 55%, there's a lot more room.

Melissa Schenk: Sure. And talk to us about how and when the money gets paid back that they've borrowed.

Yvonne Ziomecki: Yeah, like I said at the beginning, you can stay in the home as long as you want. So you know, fun fact here we have clients who we advance money in 1992. This is 27 years later, they're still in the home and they have not made any payments to us. Their house has accumulated in value and of course interest has accumulated over time, but you know, if it's a couple and one of them goes into a home, the other spouse can stay in the home as long as they want to. So that works for them very well. When both people either move out or pass away, then the money is due to be repaid and we are very generous with, sometimes people move into a nursing home. We will give them up to six months to figure things out and sort things out because we find when people move into a nursing home, a lot of them think that they're going back home. The reality is they're not.

Melissa Schenk: They're not. Right.

Yvonne Ziomecki: They're not. Their health doesn't improve that significantly. It tends to deteriorate. In the case if somebody passes away, we actually give a family a full year to pay us back because we understand they need to settle the estate. You know, there's a lot of things that need to happen on the legal side. So we gave them up to 12 months to pay us back. Usually they get it settled a lot faster, but we don't want them to feel the pressure and you know, feel like they're going to get kicked out the next day after mom or dad passes away because it's traumatic enough in their life.

Melissa Schenk: And other than a reverse mortgage, what other kinds of options are there out there for people who have these kinds of challenges that they're facing in their lives? You know, they want to stay in their home. They need to make modifications.

Yvonne Ziomecki: Yeah. So it's interesting that there's a range of options I think that people have. You know, one of the options is, you know, people often want to stay in the home but they decide not to and they downsize. And I always tell people just, you know, make sure you consider all the pros and cons in every decision. The other option is people can actually go to the bank and try to get a line of credit. Now in order to qualify for a line of credit at the bank, they have to show their

income, their credit check is one. There's a lot of paperwork and documentation required.

Yvonne Ziomecki: We find that a lot of people in retirement actually don't have enough income coming to be able to qualify for a line of credit because you know, the pension income is just not sufficient to show that they can debt service that they have. So that becomes an issue for a lot of people. The other auctions that people have are obviously to upgrade, renovate, and modify the home. And this has been an interesting trend that I have been noticing in our business is people actually taking money out and then there's two groups. I would say the younger people are doing the rentals, so they're doing the sexy rental office.

Karen Brown: [inaudible 00:00:09:06].

Yvonne Ziomecki: They're home, you know a lot more. They want to entertain. They want a nicer patio. They did some landscaping and gardening, those types of things and the slightly older group, you know, that would be, the 75-ish group is actually taking money to modify the home because they want to stay in it. They raised their kids there and you know, they're happy in this community but they're having some mobility issues, some accessibility issues and so on and they're using money and you both know those changes aren't, you know, those modifications are not cheap.

Melissa Schenk: Right, right. In terms of other things that you could spend your money on, I'm going to do an edit there. Sorry, Yvonne. I was trying not to do that. I'll make an edit. In terms of your experience, what else do people use reverse mortgages for? I know renovations you said, and mobility issues, but are they using it for travel or what other things are out there?

Yvonne Ziomecki: Another really great question. Just people, you know, oftentimes when I talk to people they think, "Oh, I don't know, reverse mortgages, you know what I know of it is a loan of last resort." And it couldn't be further from the truth, but I'll walk you through the categories. The first category of people that use a reverse mortgage for are to pay off various debts. You know, I don't know if you'd be surprised to know, but a lot of people in retirement are actually carrying mortgage debt or credit card debt or they borrowed money from family so they can take an advance. If they take \$150,000 from us, they on average, they can, you know, pay off the existing mortgage they have in a house. It's really hard when you're in your 70s and you're, you know, paying off your mortgages or other loans.

Yvonne Ziomecki: So the first group is to really, you know, pay off the debt because then you free up those payments and then they become part of your cash flow. And then you can do things, you can go out for wings with your friends, you can do all kinds of things. So that's the first category. The second category I would say would be,

you know, the home rentals and modifications because they want the upgrades, they want improvements, or their lists, those types of things. That has been increasing in popularity. The other category is very interesting too. It's helping family. And I see this, you know, when I get some of the customer stories coming through is, you know, my granddaughter's going to med school in Australia and I want to contribute in a meaningful way because that was her dream.

Yvonne Ziomecki: And she's such a fantastic student and it's expensive, but this is what they do. So they want to give while they're still around and with the real estate markets in Ontario and BC, they're also helping their kids and grandkids, you know, either buy a new home or get into, you know, a bigger home and so on. So they're kind of giving their inheritance a little bit early. And then there's a group of people who are using it to supplement their income. So they're not taking a lump sum upfront. So, you know, we talked about a fixed \$100,000 home and somebody taking out \$100,000, they may not take it as a lump sum, they may actually be taking it as you know, \$1,000 a month because they just don't have enough from pension income and from savings. And this is kind of what would will help them.

Yvonne Ziomecki: So you know, there's various ways to access the funds. And then a sub segment of that category would be for health expenses. So this is where, you know, you need the nurse next door to come in or home instead or somebody like that coming in and spending a little bit of time maybe helping with groceries or are just keeping company. That is a category that we've also seen growing. We have a client out in BC and they're obviously an outlier, but the house is worth more than \$10 million and this person that's taking out \$24,000 a month for 24/7 medical care. Now this client is terminally ill, not like this is going to continue for you know, 10 or 20 years. But that is how she wanted to use the home equity and it makes the kids very happy because they know she has the right care. She's in the home, takes the burden off them. As you can see really, really wide range of uses of them.

Melissa Schenk: A huge wide ranges of abuses. Sorry, let me start that again. That's definitely a huge wide range of uses. Okay. Yvonne, I wanted to dispel any myths people have maybe heard about a reverse mortgage. I think it is a fabulous opportunity. You've outlined a bunch of different ways and methods and reasons that people use it. What are some of the questions that people come to you and ask you then?

Yvonne Ziomecki: So, you know, one thing I hear all the time is that somehow we take over the ownership of a house, which, you know, couldn't be further from the truth. So I don't know if it's something, you know, they heard about a product in another country or it's just a massive misunderstanding. But people assume they are basically signing over the house to us. And then, you know, we own the house and we're the deciders of what happens with it couldn't be further from the

truth. It's just the mortgage we register on title. When it comes to selling the house, we're not in a real estate business. We don't want to own all these houses or when people pass away, we don't want to have the responsibility for selling them is that if people passed away, the house is sold as fair market value, we get repaid, we don't really get involved with that at all.

Yvonne Ziomecki: So that's the first myth. The second one is that the rates and fees are extremely high and you know, the rates are higher than conventional mortgage rates, without a doubt. So right now we're at \$5.99 for a five year term and you can probably get a conventional mortgage around 3%. The thing is with a conventional mortgage, you continue making payments, then your balance in theory goes down with us. As I said at the beginning, we lend you money and we have no idea when you're going to pay us back. So we take on some of the market lists and some of the volatility in how we price the product. But in exchange for that, you get to stay in the home that you love and retire there and enjoy your community and your friends, you know, your car and you know, whatever it may be.

Yvonne Ziomecki: So, that's the one that I hear that quite a bit. And then people say, "Oh, \$5.99. I thought you would take north of 10%." So this is, you know, one conversation at a time. Just trying to change people's perceptions about the product. And the last one I would say is what I mentioned before. People seem to think that it's for destitute seniors, you know, who are really, really struggling loan of last resort type of thing and it couldn't be further from the truth, but there's definitely some stigma that maybe people feel that they didn't plan enough for retirement. They haven't done all the right things. We get tens of thousands of inquiries every year about the product. So huge interest in the marketplace from people just wanting to better understand and better understand that it's the right solution for them.

Melissa Schenk: And better help their lives. It sounds like just such a great opportunity that people may not have been aware of.

Yvonne Ziomecki: Oh absolutely. And you know, it's so rewarding because sometimes people come in, they're very hesitant because you know, you asked about the myths, they may have heard them and they're unsure and they ask questions and because of this demographic, you know, everyone being a little bit more sensitive, we don't push, we explain, we provide all the information. We ask for families to get involved in that discussion to make sure it's the right decision. And then when I get the emails or when I read the online reviews and so on, just one of my heart because one customer at a time, we're changing their lives.

Melissa Schenk: And when you talk to all of these people, you're certainly hearing a broad spectrum of things that they hope and wish and want in their retirement. You

talked about staying in their neighborhood. What other kinds of things are you hearing that people want as they reach that older age and enter retirement?

Yvonne Ziomecki: It's funny because in, you know, media there's a lot of focus on millennials and they're kind of the sweethearts of ... there's tons of stories and they get a lot of coverage. The reality is there's a lot more older people than younger people just with the ways that the population trends have been coming along. The older people tend to get portrayed as less able, you know, less with it. Not as sure, not as smart and couldn't be further from the truth. You know, they are very able, they're very active, you know, they're living longer. They, you know, the 60s and new 50 and so, and I mean I even can tell, my parents are in their 70s. My mom is 72 and my dad is 75 they just came back from a grueling trip to China and Hong Kong that they just, you know, wanted to see what China in Hong Kong look like.

Yvonne Ziomecki: And that's what they did. And I think that would have been kind of unthought of unheard of probably 20-30 years ago. So I feel like that demographic being dealing with a lot of stereotypes, what they want is they want to experience life, they want to keep enjoying themselves. I think that's why staying in a community in the home is so important because now they do have time to see their friends, they want to entertain and they want to have new routines. They want to go out with friends for dinner or they want to go to the movies. They would like to stay with the doctor and the pharmacist that they have known or you know, just those things that I think sometimes the younger people either don't think about them, will take for granted these connections that are very, very important. Living in a concrete jungle and the condo is not for everybody.

Yvonne Ziomecki: There's many stories. Somebody told me once, there's one thing that they missed the most about living in a house because they chose the downside was he wasn't able to wash his car in the driveway and he realized how much joy it gave him all these years to be able to come back from a road trip and wash the car. Now living in the condo, he can't do that. So, you know, it's just things like that. Being able to do things that you know, make you happy. And I think oftentimes if you just start to think about people you know, turning 65, 70 and so on, as just a lot less able, a lot less kind of with it and more frail and so on and nothing could be further from the truth.

Melissa Schenk: Yeah. Are you finding that people are more willing to spend their money now and induce something like a reverse mortgage because you find like through history people will enter into retirement and then will try to live very modest lives, saving all the money for their kids, for inheritance, for all of this stuff. And you know, in my opinion, I wish everybody would just spend their money. It shouldn't be their responsibility to take care of everybody else afterwards. But are you seeing a trend? Like your parents. They went to China, they're having more fun, they're doing all these things. They're not saying, "Oh, we're going to sit on this and not and not do anything."



- Yvonne Ziomecki: I think it's a soft trend. Funniest part about my parents, so yes, they did go to China, but they absolutely refused to fly in business class.
- Karen Brown: That's a long flight.
- Yvonne Ziomecki: It's a long flight. My mom said, "Oh, you know, we want to make sure you know there's enough money for you and for your sister." And I said, "We don't want your money. We want you to spend your money." And she said "No, no, absolutely not. You know, we just can't. We can't do it." And I said, "Mom, this is what's going to happen. If you don't go in business class, the money that you're going to leave us, my sister and I, we're going to go through China and business class." Somebody is going to China in business class. It better be you because it's your money.
- Yvonne Ziomecki: So it's one story, but I think because of the growth that we've seen in the business and the type of use as a fund, I do see a trend. I think, you know, that generation, and again, I don't want to generalize, but that generation was looking out for others who weren't, you know, not comfortable spending on themselves. And it's definitely not frivolous. So, you know, when we did ads years ago and we showed people on yachts sipping champagne, that does not resonate very well with this demographic because that's exactly, you know, they just feel like they should be saving for their kids and that's too frivolous. But I do see, you know, the home rentals, the trips that people are taking.
- Yvonne Ziomecki: Giving with warm hands as we call it. Just you know, seeing the joy on the granddaughter's face when she gets the money and is able to go to med school and Australia. I think those things tell me that there is definitely a transition. But our job here is to continue to educate people. What can this product do for you? How it can change your life? And that's what we're trying to do. You know, even you know podcasts with both of you because it's all about educating people about options. They don't have to do it, but it would be great if they knew what options they have.
- Melissa Schenk: Terrific. Before we go, can you share some stories from your vault or examples of some of the people and families you've helped and the difference you've seen a reverse mortgage make for them?
- Yvonne Ziomecki: Yeah. I wouldn't even know where to start but I can share a few. One of the ones that it was very, very touching. So this is more in the category of someone who's really struggling is one of our clients in southern Ontario. Our salesperson would go and see her and there was always an empty bottle of wine spending on the counter and she kind of noticed that she she never said anything. And then the mortgage was done and the funds were advanced and she said, "You know, what's with this empty wine bottle?" And the lady, "You know, I've been really struggling financially and I kept the bottle of the empty bottle just as a



reminder that one day I'm going to have red wine again." And now with this product, now with this mortgage, I can definitely take advantage enjoying wine. So our salesperson went through the liquor store, bought a case of wine and drops it off and says, "You know, enjoy."

Melissa Schenk: That's sweet.

Yvonne Ziomecki: "Don't drink it all at once." But you know, it's a little bit." Like we think sometimes it's these massive transformational things, but they don't have to be. Another story I have is a couple who was childless and the gentleman passed away and he was from Italy, from a tiny, tiny little village. And what the wife did with the funds is she used the funds to actually build a well in his village because they didn't have any water. Imagine how tiny that had to be. So, she can see his legacy. They had a very, very impressive big expensive house here in Toronto. She was able to take some money, give it to the town, they started the well work.

Yvonne Ziomecki: She went to see how it was progressing and it just gave her so much joy that, you know, his legacy kind of continued even though he passed away. So you know, those types of stories. I have stories of, you know, people going around on the trip to see their long lost relatives in Europe where they just haven't been, you know, very frugal and saving for retirement, but they still have family that they haven't seen in 40, 50 years and they're using the money.

Yvonne Ziomecki: One of our favorite clients, they have a house in Thornhill and they bought a heritage home in the US and they've been using the money to renovate the house and in US, and they're using it as a bit of like a bed and breakfast down there. And you know, they couldn't be happier because they used to go there, spend the money and now they have their own place. I really like when clients send us pictures of, you know, their renovations in the upgrades, they've completed them. I get a picture of, you know, a little tea party or a barbecue where you know, that's when you really know you've made a difference because they're just so much happier. And because they're happier, they're more independent. They're healthier. They're going to live longer. You know, so when I walk home after work, I think about these stories and they make me really, really happy.

Melissa Schenk: That is so heartwarming. You know, we spend all of our working years working so hard to build equity in our homes and in our lives. And it's so heartwarming to see how people are able to live these wonderful lives afterwards by making use of that equity.

Yvonne Ziomecki: Exactly right. I know how we work. It's a lot of hours. It's a lot of hours at work. It's a lot of hours looking after kids or looking after family and you're always rushing. You're always running and when you retire and then when you have

time, things work out differently. Not everybody has a company pension. Not everybody was able to put money away, but one thing that people, pretty much everybody who owns a home, that was a smart decision. One thing they did is they bought the house, they paid it off either entirely or almost entirely. And it's increased in value over the years.

Yvonne Ziomecki: So you know what, it's not like you can sell off a bedroom or a bathroom you don't use or a basement, but if you can monetize it in a way and then prove your lifestyle and you know, we talk to these people all the time. It's not about, you know, the cruise around the world and those types of things. Sometimes they just want to go every Tuesday for wings with their friends. But it's a problem because if they do that then they can't do something else and it's just giving them a little bit more peace of mind and dignity and an option. Then I think, you know, houses are really great investments and why wouldn't you want to consider using it in your retirement planning?

Melissa Schenk: Even if it's just to have that glass of red wine. Yeah. Thank you so much for taking the time to be with us today. Yvonne, I know your schedule is very busy. We will put a link to the HomeEquity Bank, all the contact information in our show notes so that our listeners know how to get in touch with you and find out more about reverse mortgages at Home Equity Bank.

Yvonne Ziomecki: Thank you very much to both of you.

Melissa Schenk: Thank you to you and to our listeners for joining us today. We look forward to being with you again for our next podcast, episode of Real Life Renos.

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