



State of California—Health and Human Services Agency
Department of Health Care Services



ARNOLD SCHWARZENEGGER
Governor

April 25, 2008

TO: ALL COUNTY WELFARE DIRECTORS Letter No.: 08-17
ALL COUNTY ADMINISTRATIVE OFFICERS
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS
ALL COUNTY HEALTH EXECUTIVES
ALL COUNTY MENTAL HEALTH DIRECTORS

SUBJECT: HOME EQUITY CONVERSION PLANS AND REVERSE MORTGAGES

The purpose of this letter is to reiterate the policy pertaining to home equity conversion plans and reverse mortgages.

According to the Medi-Cal Eligibility Manual, Section 9D, loans requiring repayment and which are not exempt under (Title 22, CCR §50533) are considered property in the month of receipt rather than income (Title 22, CCR §50483). However, some reverse mortgages may be an exception to this rule. Specifically, a reverse annuity mortgage plan may provide that part of the equity of the home be used to purchase an annuity payable to the homeowner. These payments would be considered unearned income pursuant to (Title 22 CCR §50507). Conversely, payments from home equity conversion plans funded by the financial institution, without utilizing an annuity, would be considered property in the month of receipt.

With respect to a line of credit, Department of Health Care Services does not consider a line of credit to be an available resource since it is not a loan requiring repayment until the funds are drawn down. This is because the market value (Title 22, CCR §50412) minus encumbrances of records (Title 22, CCR §50413) equals net market value (Title 22, CCR §50415). An encumbrance of record is defined as “obligations for which the property is secured.” Once funds are drawn down it becomes an obligation or a loan requiring repayment (Title 22, CCR §50533) and would be a countable resource in the month of receipt. In most cases individuals do not borrow the funds until they have somewhere for it to go immediately, like making repairs or paying a bill. When the client

retains the funds for a full calendar month and fails to report the receipt of funds timely, an overpayment may result.

If you have any questions regarding this letter, please contact Mr. Bob Laederich at (916) 552-9486.

Original Signed By:

Vivian Auble, Chief
Medi-Cal Eligibility Division