

In Reverse

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For homeowners 62+ and their families,
professionals, and senior service providers

Reverse Mortgage Rescues Retirees from Foreclosure

In communities all across the nation, an increasing number of retirees are faced with the very real threat of losing their home because they can no longer afford to make their mortgage payments.

According to RealtyTrac's U.S. Foreclosure Market Report, more than 2.2 million foreclosure filings were reported nationwide in 2007, up 75 percent from 2006. This amounts to one foreclosure filing for every 92 households.

One of the driving forces behind the increase in the number of properties in foreclosure is the impact of monthly mortgage payments increasing for homeowners with riskier types of adjustable-rate and subprime mortgages.

These types of mortgages are especially risky for senior homeowners who are on a fixed or limited income. The higher interest rate and payment increases can put their ability to make their monthly mortgage payment at risk.

AARP has expressed concern regarding the growth of subprime mortgages among seniors. They claim that studies have shown that minority and older borrowers are disproportionately represented in the subprime mortgage market. In addition, AARP is concerned that aggressive "push marketing," often conducted by subprime lenders, leads to loans that may not be appropriate for senior borrowers.

Twenty-seven percent of senior households currently have a mortgage on their home and could be at risk. Growth in riskier mortgages for these seniors is primarily due to escalating housing costs, medical expenses, and energy prices, as well as an increase in credit card debt.

Along with the rising cost of living expenses, seniors are especially vulnerable to foreclosure due to the cost of a prolonged illness or the loss of part of their income from Social Security when their spouse passes away.

Retirees facing foreclosure typically have had only two options. The first is to try to refinance their mortgage, which includes past-due payments, late fees, collection fees, and legal fees assessed by the lender. With today's tighter credit standards, this option may not be possible for many retirees. The second is to try to salvage some equity by selling their home. However, after paying the added default and sales transaction costs, the retiree may be

left with little money to buy another home and will be forced to rent.

The reverse mortgage provides a third option: it enables homeowners 62 and older to pay off their existing mortgage and to have no mortgage payment for as long as they live in their home.

"Because credit and income are not used to qualify for a reverse mortgage, it has become a good option to help our senior customers save their home from foreclosure," Robert J. Petrelli, President and Reverse Mortgage Advisor at Mount Vernon Mortgage Corporation said.

The reverse mortgage option may not work for all senior homeowners, especially those with a high mortgage balance. If possible, it is a good idea to explore the reverse mortgage option before they go into default on their mortgage. This way they can avoid the increase in their mortgage balance from added fees so they have a better chance of qualifying for a reverse mortgage. When evaluating mortgage options for seniors, it is wise to keep an eye toward the future and consider how it fits into the senior's entire financial picture, thus avoiding programs which could raise issues for senior homeowners.

The more proactive homeowners are with all financial planning, the better chance there is to find the best option to meet their needs, before any problem arises—whether the solution is a traditional mortgage, a reverse mortgage, or something that doesn't involve a mortgage at all.

**To learn more about Reverse Mortgages,
Mount Vernon Mortgage Corporation provides a
free informational booklet and confidential needs
assessment by calling toll free at
800-869-5882 or by visiting their website at
www.MtVernonMortgage.com/Reverse.**



MOUNT VERNON
Mortgage Corporation

Committed to helping senior homeowners
achieve financial security.

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