

# In Reverse

June, 2008

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

## Reverse Mortgage Activity Remains Strong Despite Declining Property Values

Despite property values falling back to 2005 levels, demand for reverse mortgages continues to grow at record levels. This is partially attributed to lower interest rates and a significant loss in the buying power for retirees.

A reverse mortgage enables homeowners 62 and older to convert their home equity into cash. What makes this type of mortgage so popular is that there are no payments for as long as the senior homeowner lives in their home.

The U.S. Department of Housing and Urban Development (HUD) reports that 9,564 reverse mortgages were endorsed in April 2008. This brings the year-to-date total to 64,776, an 8.1 percent increase over 2007.

At the same time, home values in the first quarter of 2008 fell 7.7 percent from the first quarter of 2007 according to a Home Value Report released by Zillow.com.

The amount a borrower may receive from a reverse mortgage is determined by their age, the interest rate, and the home value. So, in some cases, a decline in a home's value may reduce the amount a retiree can receive from the reverse mortgage.

Reverse mortgage growth continues to be strong for a number of reasons including:

- An increase in the demand to supplement retirement income. Each year since 2000, retirees have received an increase in their Social Security benefits lower than the rate of inflation. Social Security benefits have increased by just 22 percent, while retiree expenses have risen by 71 percent. Retirees have lost 40 percent of their buying power.
- Low interest rates have helped to offset the impact from lower home values. Property values have not declined in all areas. In fact, some areas of the country have seen home appreciation.

Unlike traditional "forward" mortgages, reverse mortgages have not been subject to tighter credit

standards. Retirees seeking a traditional mortgage in today's market may be turned down because they do not qualify based on credit and income. However, a reverse mortgage does not use credit or income in qualifying.

Further attraction for the reverse mortgage is the ease and flexibility it provides in customizing the way funds are received. This includes a lump sum, a line of credit, monthly payments, or a combination of two or more of these options.

"Funds from the reverse mortgage do not affect Social Security or Medicare benefits," Robert J. Petrelli, President and Reverse Mortgage Advisor at Mount Vernon Mortgage Corporation said. "Our senior clients have been able to continue to enjoy their retirement with the peace of mind of knowing they will not outlive their retirement income."

Legislation currently working its way through Congress is expected to result in a substantial increase in the national loan limit for the FHA-insured reverse mortgage. If passed, it would raise the limit from \$362,790 to \$550,000, and would help increase the amount seniors with a home valued over \$362,790 could receive from a reverse mortgage.

For those retirees who already have an FHA-insured reverse mortgage, it's a relief to know that the availability of funds from their reverse mortgage will not be affected by a drop in their home's value.

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](http://www.MtVernonMortgage.com/Reverse).



**MOUNT VERNON**  
Mortgage Corporation

Committed to helping senior homeowners  
achieve financial security.

**Robert J. Petrelli**

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