

REVERSE MORTGAGE CARRY HIDDEN RISKS: COULD LEAD TO ELDERS LOSING THEIR HOMES



It is indeed ironic that the loans that were mandated to help the elderly keep their homes are the ones that are forcing them out of them. These loans known as reverse mortgages were initiated to allow 62 plus homeowners to take loans against the values of their homes, with the conditions that they need not return it unless they vacate those homes or die. However, defaulters on such loans increased owing to difficult economic times, which made big banks a little reluctant to fund these loans, which saw smaller mortgage brokers, including former subprime lenders, grabbing the opportunity and entering the market in a big way. Falling house prices and not being able to rightly evaluate borrowers' ability to repay the loans has seen Bank of America and Wells Fargo, along with MetLife exit the market. Federal and state regulators have reported many instances of abuse of these loans, that has seen many of the elderly lose their homes. Lenders were giving loans to seniors knowing full well that they would not be able to afford the fees associated with the loan. Add to that the property taxes and the maintenance fees and the loan-provider would only have to bide his time before the loan taker defaulted and lost his home. Others were misleading the elderly that the loans were virtually free money to be used as they pleased, to pay for that long desired holiday. The risks were never pointed out to them and when they were, there was little the elderly could do to save their houses. Some widows were cheated out of their houses after the loan-providers ensured that the wives names were intentionally not mentioned in their deeds. The wives were told that it was not necessary to do so, little realizing that this could mean eviction from their houses following their husband's demise. 72- year old Joan Serieux-Forde said that she was distraught after her husband passed away. What followed was worse. Her reverse mortgage lender, Generation Mortgage, sent her a notice asking her to pay \$293,000 or face foreclosure. She was informed that her name was not on the mortgage deed and she had no legal right to stay in the house unless she paid the amount. She says that there is no way she can pay the full \$293,000 debt. With her home already in foreclosure proceedings she is resigned for the inevitable to happen. With a hesitant voice, she said: "I have nowhere to go." The increase of such fraudsters taking advantage of this vulnerable section of society, the government has formed the Consumer Financial Protection Bureau that is forming new rules that will better apprise borrowers of potential dangers and also monitor the lenders more strictly. According to the government upwards of 775,000 such loans are still to be cleared. Lori Swanson, the Minnesota attorney general said, "There are many of the same red flags, including explosive growth and the fact that these loans are often peddled aggressively without regard to suitability." Used carefully and with the right lenders, reverse mortgages can result in seniors continuing to keep their houses and having money they need for their retirement. But they must understand that even if the loan does not have to be repaid, until they decide to vacate the house or die, but they still have to pay property taxes, maintenance and insurance. Mark S. Diamond, a subprime mortgage broker is facing legal action, instituted by the Federal Trade Commission and the Illinois attorney general, charging him with selling reverse mortgages and pocketing the loan amounts and falsely promising to use the money towards home repairs that were never done.