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Reverse Mortgages Rescue Retirees from Foreclosure

Plainville, MA - 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 2006 U.S. Foreclosure Market Report, more than 1.2 million foreclosure filings were reported nationwide in 2006, up 42 percent from 2005. This amounts to a staggering 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.

Subprime 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.

Growth in subprime mortgages for senior households is primarily due to escalating housing costs, medical expenses, and energy prices, as well as an increase in credit card debt held by seniors.

One out of every five (19.4 percent) subprime mortgages made today will end in foreclosure, according to a recent study by the Center for Responsible Lending (CRL).

Along with the rising cost of living expenses on a fixed income, 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 only have two options. They can refinance their mortgage, which includes past-due payments, late fees, collection fees, and legal fees assessed by the lender (since they will only qualify for a subprime mortgage, they may only be delaying the inevitable). The other option 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, we are able to help our senior customers save their home from foreclosure," Jack D. Belles, Vice President, Towne & Country Mortgage, said. "There is nothing more gratifying than the relief on a customer's face when we tell them that they will be able to stay in their home."

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.

Towne & Country Mortgage provides a free confidential reverse mortgage estimate by calling them toll-free at 800-750-4419 or by visiting www.reverseanswers.com.

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