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Reverse Mortgage: Satisfaction Continues to be High

Results from three surveys over the 20 years since the government-insured reverse mortgage program, known as the Home Equity Conversion Mortgage (HECM), was first authorized by Congress indicate borrowers are satisfied with their reverse mortgage. They report greater financial comfort and peace of mind.

[insert a customer's authorized personal story – optional]

According to a 2007 survey conducted by AARP, 93 percent of borrowers reported that the reverse mortgage had a positive impact on their lives. In 2000, the U.S. Department of Housing and Urban Development (HUD) conducted a survey and found that participants' level of satisfaction with their reverse mortgage was high. This upholds a survey conducted in 1998 by the Federal National Mortgage Association (Fannie Mae) that reported 94 percent of borrowers were satisfied with their reverse mortgage decision.

A reverse mortgage enables homeowners 62 and older to borrow against their home with no required repayment for as long as they live in their home. Credit and income are not used in qualifying for the reverse mortgage, and closing costs are financed, so there is usually no money out of pocket. Plus, a reverse mortgage does not affect Social Security or Medicare Benefits.

These studies make it clear that satisfaction with the reverse mortgage has been consistent over the past 20 years; however, misconceptions continue to prevent senior adults who could benefit from a reverse mortgage from taking advantage of one.

Recent misconceptions in media coverage of reverse mortgages include:

1. Funds from a reverse mortgage must be used to buy an annuity, insurance, or other financial or investment products. This is not true. A borrower is under no obligation to buy an annuity or other financial or investment product as a condition of obtaining a reverse mortgage, and is free to use their reverse mortgage funds for any purpose they choose.
2. A lender can take a borrower's home when they have exhausted the reverse mortgage

funds or the loan balance exceeds the property value. Not true. A borrower may stay in their home for as long as they want, even after all reverse mortgage funds have been used or the balance exceeds the value of the home.

3. The costs associated with a reverse mortgage are high. This is a matter of perspective and whether the value to the borrower justifies the cost. All fees paid in the HECM program are regulated by HUD. The Mortgage Insurance Premium paid to HUD makes up almost half of the costs associated with the reverse mortgage; however, it serves two very important purposes. First, it provides for a guarantee by the U.S. Government that the borrower will continue to receive their money from the reverse mortgage should the lender ever default. Second, when the reverse mortgage is due to be repaid the lender can only look to the property for repayment up to the balance of the reverse mortgage. Should the balance of the reverse mortgage exceed the property's value the mortgage insurance pays the shortfall to the lender so there is no debt left to the borrowers or to their heirs.

Funds from a reverse mortgage may be received in a lump sum, a line of credit, monthly payments, or a combination of these options. This provides seniors with the flexibility to customize the way funds are received to best meet their individual needs.

“With so many new lenders entering the reverse mortgage industry, it is vital that a senior adult select a reverse mortgage lender with experience and knowledge so that they will be able to make a sound decision based on correct and complete information. Furthermore, the lender should adhere to the National Reverse Mortgage Lenders Association’s (NRMLA) Code of Ethics and Professional Responsibility standards,” [insert your name, title at company] said.

Reverse mortgages continue to show significant growth as senior adults become better educated and attitudes change toward incorporating a reverse mortgage in retirement and long-term care planning.

To learn more about reverse mortgages, [company] provides a free informational package and confidential estimate by calling them toll free at [number] or by visiting their website at [website].

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