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Reverse Mortgages Are Safe From Today's Mortgage Troubles

Senior adults looking forward to a reverse mortgage to secure their retirement are finding that government-insured reverse mortgages are unaffected by the troubles now plaguing traditional mortgages.

[insert a client's authorized personal story - optional]

Everywhere you turn today, you hear about the meltdown in the mortgage industry with lenders going bankrupt or out of business and many borrowers no longer able to qualify for a mortgage.

This crisis started in December 2006 when the first of subprime lenders started failing as more borrowers began falling behind on payments. These risky subprime mortgages were traditionally made to borrowers with less than ideal credit.

As the subprime mess spread to other markets, an increasing lack of confidence caused liquidity to dry up in the credit markets leaving lenders without money to loan and borrowers facing tighter credit standards.

The trouble with traditional mortgages has left some senior adults wondering whether the reverse mortgage will be available for them and whether they can count on the lender after they take out a reverse mortgage.

A reverse mortgage enables homeowners 62 and older to borrow against their home with no repayment required 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.

The Federal Housing Administration (FHA), a part of the U.S. Department of Housing and Urban Development (HUD), insures an estimated 90 percent of all reverse mortgages made and is safe from both liquidity problems and from lenders going out of business. For June 2008, HUD

reports there was a 4.28 percent increase year-to-date in reverse mortgages insured by FHA over the same period last year.

Senior adults who take out an FHA-insured reverse mortgage are guaranteed against the lender or company managing their reverse mortgage from defaulting on payments to them. This is accomplished with the mortgage insurance premium (MIP) paid to FHA, which further guarantees that senior homeowners will never leave a debt to their family members.

The government provides assurances that the terms of the FHA-insured reverse mortgage cannot be changed in the future, even if real estate values decline. Plus, a reverse mortgage does not affect Social Security or Medicare Benefits.

Reverse mortgages provide the flexibility to customize the way funds are received to best meet individual needs. This includes a lump sum, a line of credit, monthly payments, or a combination of two or more of these options.

“Repayment for a reverse mortgage is typically made from the sale of the house when the senior homeowner no longer lives there,” [insert your name, title at company] said. “Until such time, our senior clients maintain control and ownership of their home.” ([company] provides you with a free reverse mortgage informational package and confidential estimate by calling them toll free at [phone] or visiting their website at [website].)

Even though the crisis in the financial markets may continue to worsen, it is good to know that senior adults will still be able to depend on a reverse mortgage to secure their retirement and independence.

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