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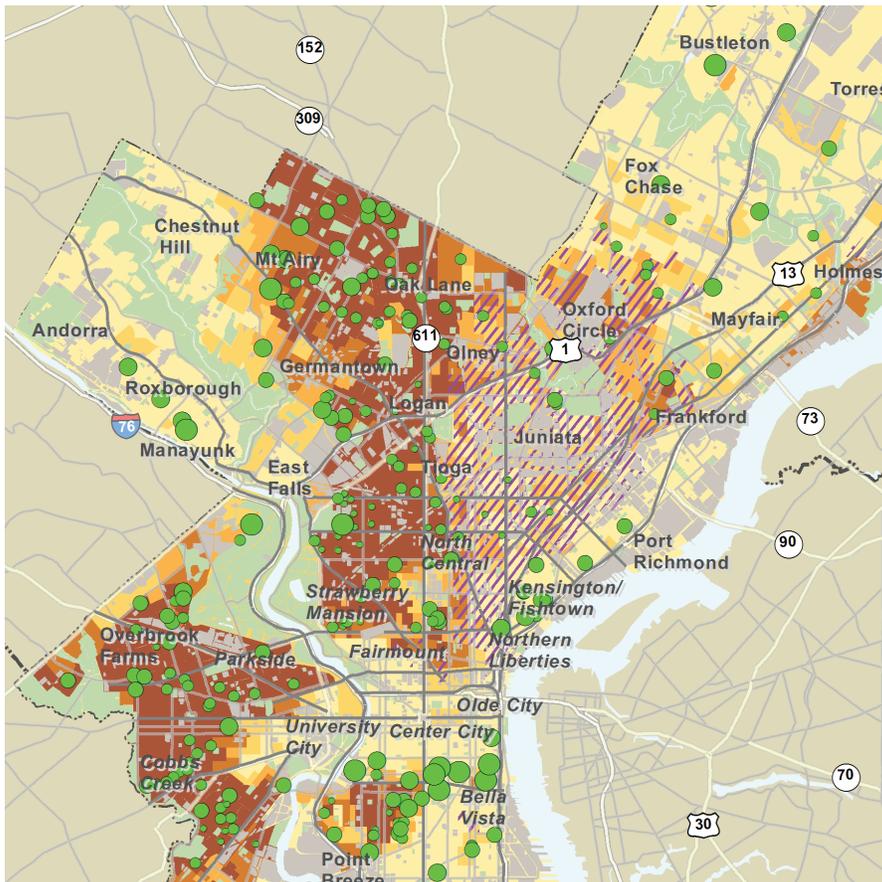


## Policy Brief:

# Reverse Mortgages in Philadelphia: Lending Patterns, Foreclosures & Homeowner Experiences

Prepared by **REINVESTMENT FUND**

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## Introduction

From 2009 through 2016, Philadelphia was one of the most active reverse mortgage lending markets in the nation. Older Philadelphians are attractive prospects for reverse mortgage originators because many of them own their homes and are free of mortgage debt. Elderly homeowners who own their homes free and clear are much more common in Philadelphia than in neighboring cities like Baltimore, Boston, and Washington, DC; and like seniors across the country, many retired people in Philadelphia have most of their wealth in their homes.

At the initiation of Philadelphia City Councilperson Cherelle L. Parker, Council's Committee on Finance held a hearing to gather facts and experiences concerning the impacts of reverse mortgage lending on Philadelphia's senior citizens who are homeowners. Homeowners, legal services attorneys, housing counselors, and researchers shared troubling stories about their experience with reverse mortgages throughout the city, including a rising number of homeowners with reverse mortgage foreclosures appearing at the Mortgage Foreclosure Diversion Program.<sup>1</sup> Prior to this hearing, Reinvestment Fund examined reverse mortgage lending and foreclosure patterns in Philadelphia and neighboring counties to identify potential inequities in reverse mortgage originations and defaults across the region. At the hearing, Reinvestment Fund presented patterns of reverse mortgage originations and foreclosures that appear to be disproportionately concentrated in parts of the city that are home to large African-American populations and populations with low to moderate incomes—patterns that largely mirrored those observed during the recent subprime lending boom of the early 2000s.

In fall 2016, Reinvestment Fund, in partnership with the Housing Equality Center (HEC), was awarded a Fair Housing Initiatives Program—Private Enforcement Initiatives (FHIP) grant by the U.S. Department of Housing and Urban Development to investigate potential fair housing violations associated with the origination of reverse mortgages in the region. Reinvestment Fund and HEC are currently conducting a data-based fair housing assessment of reverse mortgage originators in the Philadelphia region. Under the grant, Reinvestment Fund has also collected extensive data on patterns of reverse mortgage lending throughout the region.

Building on this investigation, the City of Philadelphia provided additional support to Reinvestment Fund to conduct interviews with Philadelphia homeowners, and their heirs, who obtained a reverse mortgage and subsequently experienced a foreclosure. Reinvestment Fund conducted these interviews to understand the borrowers' perspective, from the time they first contemplated obtaining a reverse mortgage through the life of the loan.

*We note that the people interviewed were all homeowners with reverse mortgages (or heirs of those homeowners) that went to foreclosure. They are not representative of all homeowners with reverse mortgages.*

However, it is through their experiences that we can understand the antecedents, processes, and outcomes of those for whom the reverse mortgage resulted in the near (or actual) loss of their homes. This report presents a brief review of reverse mortgages, patterns of reverse mortgage lending in Philadelphia from 2009 to 2016, and a review of accounts from a limited number of homeowners and their heirs describing their experience with reverse mortgages.

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<sup>1</sup> For a description of this program, see <https://www.courts.phila.gov/mfdp/> (Accessed 5/1/2018).

## What Is a Home Equity Conversion Mortgage (HECM) or Reverse Mortgage?<sup>2</sup>

A reverse mortgage<sup>3</sup> is a loan made by a financial institution to a homeowner based on the home equity in the homeowner's principal residence. It is often used to enable an elderly homeowner to remain in their home when faced with expenses (such as home repairs and healthcare) that they cannot pay for through other means. To qualify for a reverse mortgage, a borrower must be at least 62 years old and live in the home they own. The borrower or the borrower's estate must repay the loan if: 1) the borrower dies; 2) the borrower moves; or 3) the borrower sells their home. Starting August 4, 2014, repayment of the loan is delayed until the deceased borrower's spouse dies, moves, or sells the home, so long as the surviving spouse is listed on the loan documents.<sup>4</sup>

The amount of benefit a borrower can receive from a reverse mortgage is based on a complicated calculation that includes a range of origination fees, the structure of the loan product, and the expected lifetime of both the borrower and any non-borrowing spouse. The originator calculates the amount of the loan by subtracting from the home's assessed value: 1) the origination fee; 2) third-party charges (such as for appraisal and required counseling)<sup>5</sup>; 3) the monthly servicing fee over the expected life of the loan; and 4) interest payments over the expected life of the loan.<sup>6</sup> If the reverse mortgage is federally insured, the originator will also subtract: 5) the up-front or initial payment to the FHA for the mortgage insurance; and 6) the monthly mortgage insurance premium (MIP) over the expected life of the loan. The borrower can choose either a line of credit, a monthly payout, or a lump sum disbursement of reverse mortgage amounts. Generally, a lump sum payment results in a lower amount available to the borrower.<sup>7</sup> The originator calculates the expected life of the loan using actuarial tables. The younger the borrower (or the borrower's spouse), the longer they are expected to live—and the more money is subtracted from the home's assessed value to cover future interest and insurance payments.

The borrower is required to pay the property taxes and the homeowner's insurance (HOI) premiums over the life of the loan. If they fail to do so, the lender pays for these items and adds the payments to the total loan amount. If, after these payments, the total loan amount reaches 98% of the assessed value of the home and the loan has not been repaid, the lender and borrower may first try to negotiate a plan under which the borrower repays the lender for these HOI premiums and property taxes. If they fail to reach an agreement, the lender must foreclose on the home and initiate a sheriff's sale, the proceeds of which repay the reverse mortgage.<sup>8</sup>

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<sup>2</sup> Photos used in this report are taken on the block where the HECM household lived, but to protect the householders' privacy, the actual house is not identified.

<sup>3</sup> Almost all reverse mortgages made in Philadelphia are FHA-insured Home Equity Conversion Mortgages. Proprietary reverse mortgages are occasionally made for more than the FHA insurance limit (currently \$679,650). In this report, we use the term "reverse mortgage" throughout.

<sup>4</sup> The complete set of rules for surviving spouses can be found at: <https://www.consumerfinance.gov/ask-cfpb/what-happens-with-my-reverse-mortgage-if-my-spouse-dies-en-241/> (Accessed 5/7/2017).

<sup>5</sup> "FHA Reverse Mortgages (HECMs) for Seniors," HUD, [https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/hecm/hecmabou](https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmabou)

<sup>6</sup> Consumer Financial Protection Bureau. (2012, June 28). *Reverse Mortgages: Report to Congress*, p. 16

<sup>7</sup> Consumer Financial Protection Bureau. (2017, October). *Reverse mortgages: A discussion guide*, p. 12

<sup>8</sup> Consumer Financial Protection Bureau. (2012, June 28). *Reverse Mortgages: Report to Congress*, p. 129, pp. 131-132

The HECM program has undergone several changes to the guiding regulations in the past ten years, including recent rule changes that could greatly affect the reverse mortgage lending market. Congress enacted several protections for reverse mortgage borrowers in 2008, including requiring states to have consistent procedures for licensing originators, restricting housing counselors from associating with originators or servicers, restricting originators from selling insurance directly to borrowers, limiting the maximum origination fee, and lowering the principal limits that borrowers could access at the time of reverse mortgage origination.

In 2010, HUD introduced a “HECM Saver” product to encourage borrowers to utilize line of credit, rather than lump sum, structured reverse mortgages. However, the HECM Saver has not been a popular option in Philadelphia.<sup>9</sup> In 2013, in response to an increase in reverse mortgage defaults,<sup>10</sup> Congress passed the Reverse Mortgage Stabilization Act that permitted HUD to make changes to the regulation affecting reverse mortgages directly. HUD implemented a financial assessment in 2015 that requires originators to determine if prospective borrowers can maintain obligations like paying for their taxes, HOI, and home maintenance throughout the life of the loan, and set aside a portion of reverse mortgage proceeds that are needed for future tax and insurance payments.

### *Who Are Ideal HECM Borrowers?*

Reinvestment Fund staff interviewed reverse mortgage subject matter experts to learn more about who are good candidates for a reverse mortgage loan, what someone in the market for a reverse mortgage loan could expect from originators and servicers, and what experiences the experts had with reverse mortgage originators. These experts included two financial planning professors at the American College of Financial Services who are noted experts in the field of retirement planning and management, and two housing counselors at Clarifi, an agency that serves the five-county Philadelphia area and provides both reverse mortgage origination and reverse mortgage default counseling.

The professors’ research<sup>11</sup> indicates that reverse mortgages are best used as part of a diverse retirement portfolio that includes financial assets beyond the home. Households in this situation can use the reverse mortgage line of credit to insure against other financial risks in retirement. This strategy involves taking little principal out at origination and allowing the available line of credit to build. Households would then use reverse mortgage amounts only when other financial assets are performing poorly.

Thus, an ideal candidate for a reverse mortgage would have multiple sources of wealth: a diversified portfolio of investments and their owner-occupied home. If interest rates are low at origination, and if the homeowner resists the urge to access the line of credit, the reverse mortgage may one day even exceed the assessed value of the home. This rare circumstance leaves the federal government liable for the loss if the borrower exercises this advantage.<sup>12</sup> In contrast, a homeowner who lacks an investment

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<sup>9</sup> Of the 5,070 reverse mortgage originations in Philadelphia in the data provided to Reinvestment Fund by HUD, 63 (1.2%) were identified as HECM Saver loans. HECM Saver loans were 3.1% of reverse mortgages originated in Bucks, Chester, Delaware, Montgomery, and Philadelphia counties from 2009-2016.

<sup>10</sup> See U.S. Department of Housing and Urban Development, *Mortgagee Letter 2013-27*, pg. 28

<sup>11</sup> See Pfau, Wade. *Reverse Mortgages: How to Use Reverse Mortgages to Secure Your Retirement*. Retirement Researcher Media, 2016; Hopkins, Jamie. *Home Equity and Retirement Income Planning Survey*. The American College New York Life Center for Retirement Income, April 26, 2016.

<sup>12</sup> Initial research into the question of whether borrowers cash out HECMs at the expense of FHA finds that borrowers whose HECM line of credit value exceeds the value of their home are not more likely to walk away from their home than borrowers

portfolio and who purchases a reverse mortgage to keep up with homeowner’s insurance premiums, property taxes, or home repairs is generally not an ideal candidate for a reverse mortgage. “Such retirements were not sustainable in the first place,” Professor Wade Pfau writes, although purchasing a reverse mortgage under these circumstances may still be a rational choice: “The reverse mortgage may have helped delay what was ultimately inevitable.”<sup>13</sup>

## Reverse Mortgages in Philadelphia

The number of reverse mortgage originations in Philadelphia began to accelerate in 2004, from less than 100 per year between 1991 and 2004 to a peak of 1,727 in 2011.<sup>14</sup> This period generally coincided with increasing residential real estate sales prices (and therefore home equity). Since then real estate sales prices dipped and have recovered, but the number of new reverse mortgage loans in Philadelphia has instead declined each year to a low of 199 loans in 2017.

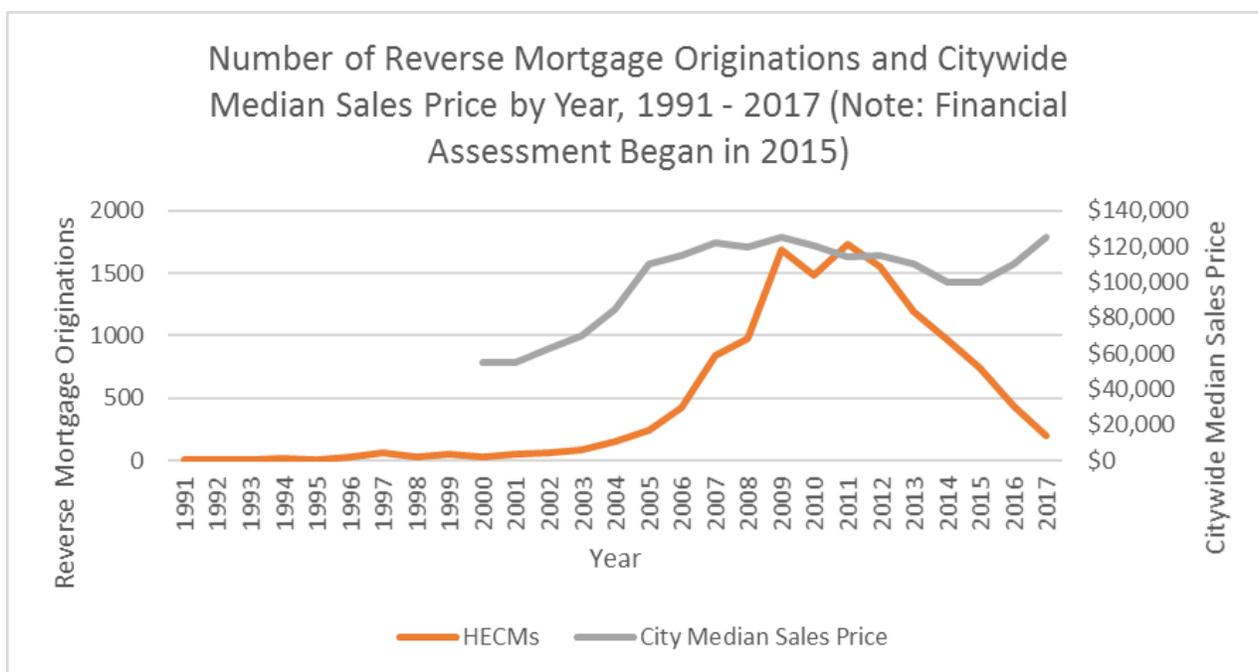


Chart One: Number of Reverse Mortgage Originations in Philadelphia, 1991 - 2017

Reinvestment Fund obtained detailed records on reverse mortgage originations in Philadelphia and four surrounding Pennsylvania counties from 2009 through 2016 from HUD through a Freedom of Information Act request. These data include the location of the mortgaged property to the Census block; the age, race, ethnicity, and sex of the borrower; the financial structure (i.e., line of credit or lump sum) and financial details (i.e., interest rate and type, initial principal limit, and maximum claim amount) of the loan; originator and servicer names; and whether the loan was in default at the time HUD fulfilled the data request.

whose line of credit value is below the value of their home. See Davidoff, Thomas and Wetzel, Jake, Do Reverse Mortgage Borrowers Use Credit Ruthlessly? (July 22, 2014). Available at SSRN:

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2279930](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2279930).

<sup>13</sup> Ibid, p. 52.

<sup>14</sup> See HUD FHA HECM Single Family Portfolio Snap Shot, available at:

[https://www.hud.gov/program\\_offices/housing/rmra/oe/rpts/hecmfsnap/hecmfsnap](https://www.hud.gov/program_offices/housing/rmra/oe/rpts/hecmfsnap/hecmfsnap) (accessed 5/3/2018).

Based on these data, the structure of reverse mortgage loans in Philadelphia was clearly different from the structure of reverse mortgage loans in the surrounding counties. More than twice as many Philadelphia HECM borrowers refinanced any existing mortgage with the origination of their reverse mortgage (15% v. 6-8%), substantially reducing the amount of cash available to Philadelphia borrowers. A substantially greater share of Philadelphia reverse mortgage borrowers purchased a fixed rate reverse mortgage (59% compared to 33%-39% in the surrounding counties), which is associated with lump sum disbursement of reverse mortgage funds with higher interest rates than adjustable rate reverse mortgages. The median interest rate for reverse mortgages originated in Philadelphia from 2009 to 2016 was 1.8 percentage points higher than the median interest rate for reverse mortgages in the five-county area.<sup>15</sup> Homes in Philadelphia with reverse mortgages were appraised at about half of the value of homes with reverse mortgages across the five-county area (See median Initial Principal Limit and median Maximum Claim Amounts in Table One).<sup>16</sup>

*These lending patterns suggest that the typical Philadelphia reverse mortgage borrower was in a substantially different financial situation than the ideal borrower described by retirement research experts and may not have been an ideal candidate for a reverse mortgage.*

	Total		Refinance		Fixed Rate		Interest Rate	Initial Principal Limit	Max Claim Amount
	HECM	HECM	Percent	HECM	Percent	Median	Median	Median	
<b>Bucks</b>	1,344	85	6%	446	33%	3.2%	\$169,000	\$260,000	
<b>Chester</b>	812	61	8%	293	36%	3.4%	\$184,000	\$289,000	
<b>Delaware</b>	1,130	50	4%	440	39%	3.4%	\$132,000	\$205,000	
<b>Montgomery</b>	1,420	87	6%	498	35%	3.2%	\$164,000	\$259,000	
<b>Philadelphia</b>	5,070	780	15%	2,974	59%	5.0%	\$81,000	\$125,000	
<b>Five County Area</b>	9,776	1,063	11%	4,651	48%	3.2%	\$169,000	\$260,000	

Table One: Structure of Reverse Mortgage Loans in the Five County Area, 2009-2016

In Philadelphia, and each of the surrounding counties, the share of reverse mortgage loans originated to Fair Housing Act or Pennsylvania Human Relations Act protected class homeowners<sup>17</sup> was roughly comparable with the share of protected class homeowners in the 65 or older population in each county (see Chart Two).

<sup>15</sup> See Appendix III for tables that detail these data by the highest volume lenders in Philadelphia and the surrounding counties in total and for African-American homeowners.

<sup>16</sup> For reference, a 72-year-old homeowner with no mortgage and a home valued at \$125,000, after application of origination fees and principal limit factors, could expect a lump sum payout of about \$29,800. Calculation based on: <https://www.reversemortgage.org/About/Reverse-Mortgage-Calculator> (accessed 5/3/2018).

<sup>17</sup> Specifically, Black/Hispanic and / or Female reverse mortgage borrowers.

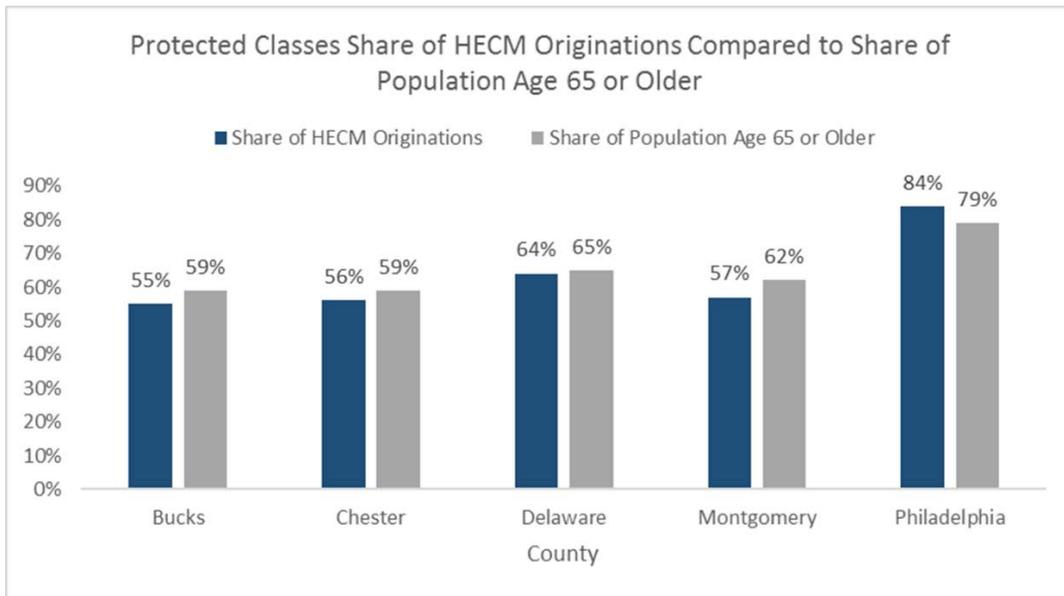


Chart Two: Share of Reverse Mortgages to Protected Class Homeowners compared to Share of People Age 65 or older who are Members of a Protected Class

African-American homeowners receive a disproportionate share of reverse mortgages across all counties. In Philadelphia, African-Americans make up a larger proportion of both homeowners (39%) and people 65 or older (40%) than in the suburban counties. From 2010 to 2016, African-American homeowners received two thirds of reverse mortgage originations (66%) made in Philadelphia (see Chart Three).

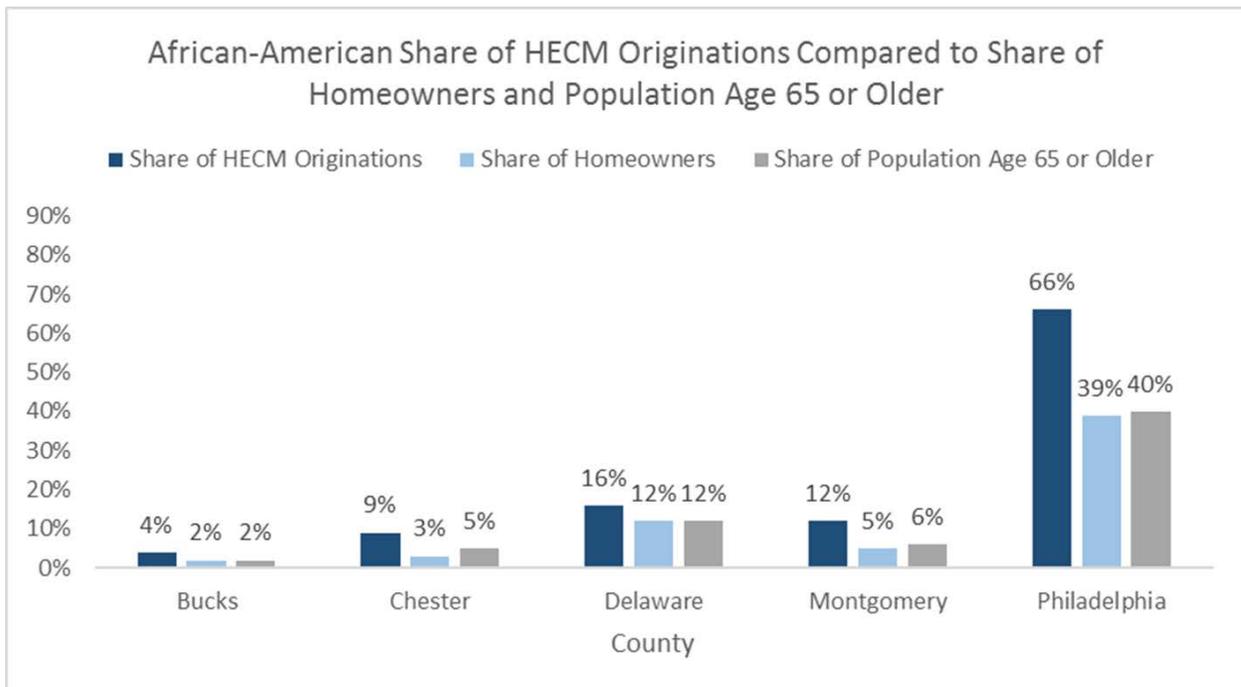


Chart Three: Share of Reverse Mortgages to African-Americans compared to Share of Homeowners and People Age 65 or older who are African-American

Reverse mortgage originations were also more heavily concentrated in predominately African-American areas of Philadelphia than in other Philadelphia neighborhoods. In Census tracts where at least 80% of residents are African-American the average number of reverse mortgages originated between 2009 and 2016 was more than three times as many as in Census tracts with 60% or fewer African-American residents (see Table Two). Map One (see page 8) shows reverse mortgage originations over race / ethnicity by Census tract.

Census tract % African-American	Less than 20% African-American	Between 20% & 40% African-American	Between 40% & 60% African-American	Between 60% & 80% African-American	More than 80% African-American
Average # Rev. Mort.	8.4	8.2	8.4	14.0	25.7
Median Sales Price 2016/2017	\$220,000	\$166,000	\$124,100	\$111,900	\$47,400

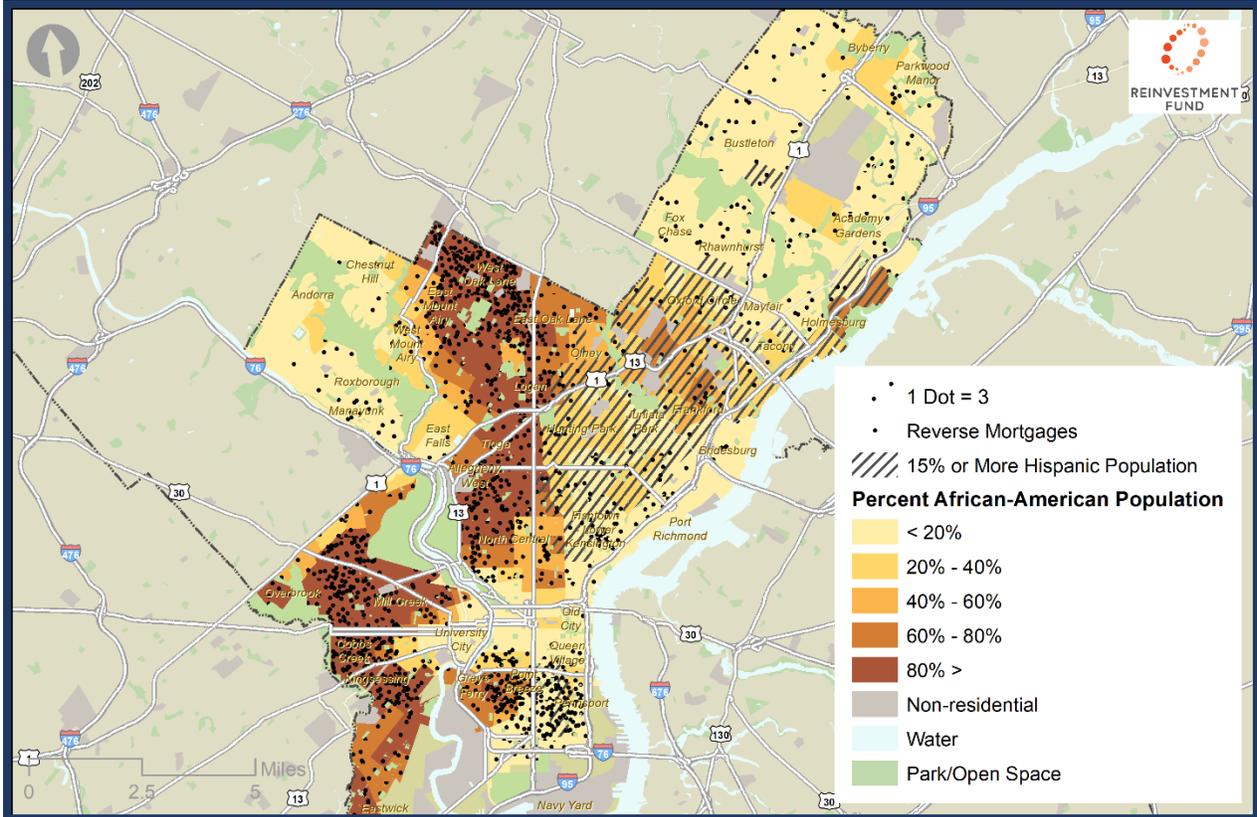
Table Two: Average Number of Reverse Mortgage Originations from 2009-2016, by Census Tract African-American Population

Reverse mortgage lending was also most heavily concentrated in areas of Philadelphia with modest home sale prices. Table three shows the average number of reverse mortgages originated between 2009 and 2016, by Census tract median sales price in 2016-2017. Across Census tracts in Philadelphia divided by home sale prices, the largest average number of reverse mortgages is found in tracts with homes priced below the citywide median. Map two (see page 8) shows reverse mortgage originations over the median sales price in 2016-2017.

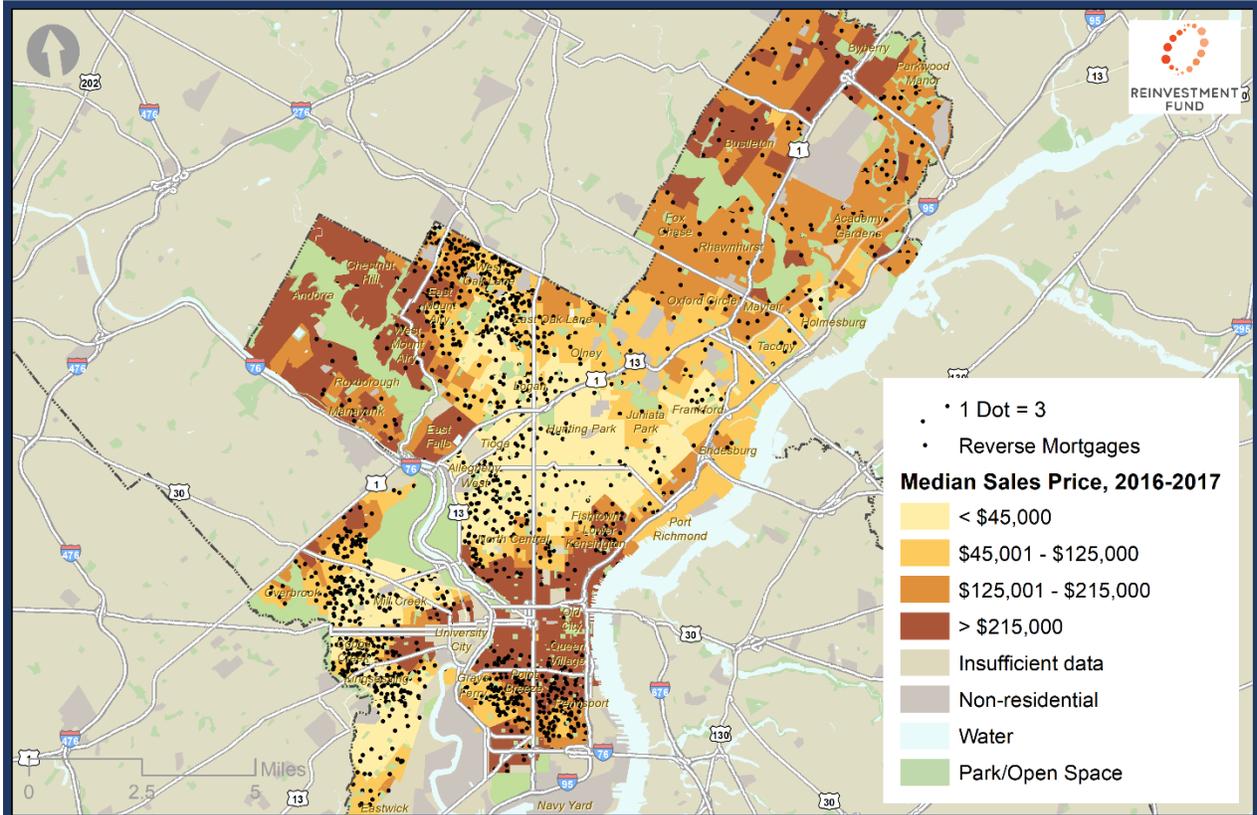
Median Sales Price 2016-2017	Quartile 1 (< \$45,000)	Quartile 2 (\$45,000 - \$125,000)	Quartile 3 (\$125,000 - \$215,000)	Quartile 4 (> \$215,000)
Average # Rev. Mort.	15.2	17.7	12.6	9.6

Table Three: Average Number of Reverse Mortgage Originations by Quartile of Median Sales Price, 2016-2017

These data show that reverse mortgage originations in Philadelphia went disproportionately to predominately African-American communities with modestly valued homes. Given the observed wealth and income disparities across racial groups nationally and in the city of Philadelphia, these findings suggest that it is highly unlikely that the typical Philadelphia borrower’s reverse mortgage was part of a comprehensive retirement plan. In Philadelphia, more so than in the surrounding counties, borrowers are less likely to meet the “ideal candidate” standards for a reverse mortgage.



Map One: Reverse Mortgage Originations 2009-2016 over Race / Ethnicity



Map Two: Reverse Mortgage Originations by Median Sales Price, 2016-2017

## Interview Methodology

Reinvestment Fund conducted face-to-face interviews with eight Philadelphia householders (or their heirs) who obtained a reverse mortgage and subsequently experienced a foreclosure of that mortgage. The interview subjects comprised six homeowners and three heirs of homeowners.<sup>18</sup> Interview subjects were referred to Reinvestment Fund by Senior Law Center (SLC), Community Legal Services (CLS), Philadelphia Legal Assistance, and Clarifi.

Reinvestment Fund staff asked homeowners (or their heirs) to describe their experiences with reverse mortgages from the time they first contemplated a reverse mortgage loan through the resolution of the foreclosure process. The interviews focused on issues found in Reinvestment Fund’s review of reverse mortgage foreclosure case files,<sup>19</sup> including topics like the homeowner’s financial situation when they purchased a reverse mortgage, what they understood about their financial obligations with a reverse mortgage, what caused the reverse mortgage to default, and how the default was resolved.<sup>20</sup>

All interviews were audio-recorded, and a transcript of each interview was created to ensure accurate reporting. Each household signed a “consent to participate” form and was promised anonymity. As an incentive to participate, and as a thank you, each participant received a \$25 gift card.

Interviewees	Race / Ethnicity	Age	Marital Status	Neighborhood	Home Assessed Value 2017
Homeowner 1	African-American	90	Married	Logan	\$108,300
Homeowner 2	African-American	84	Married	West Mount Airy	\$405,000
Homeowner 3	African-American	79	Single	Point Breeze	\$81,500
Homeowner 4	White	83	Single	Fitler Square	\$679,100
Homeowner 5	African-American	70	Single	Allegheny West	\$36,000
Homeowner / Heir 1	African-American	78 / 49	Single	Grays Ferry	\$68,200
Heir 1	African-American	45	Single	Kingsessing	\$60,500
Heir 2	African-American	59	Single	Nicetown	\$44,000

Table Four: Characteristics of Interviewed Households

<sup>18</sup> One interview included both a homeowner and her daughter.

<sup>19</sup> See Reinvestment Fund, Initial Findings from Review of Home Equity Conversion Mortgage Foreclosure Case Files, Submitted to Philadelphia’s Division of Housing and Community Development on December 1, 2017.

<sup>20</sup> The interview protocols appear in full in Appendix I and Appendix II.

The following sections present key findings from these interviews, organized into the following four discrete stages in these homeowners' journey from their initial consideration of a reverse mortgage through the resolution of the reverse mortgage foreclosure:

1. Before the Reverse Mortgage
2. The Reverse Mortgage Origination Process
3. Encountering Trouble with the Reverse Mortgage
4. Resolution of the Foreclosure and Reflection

Each section includes a narrative summarizing shared themes and a detailed discussion of those themes, along with quotations from the interviews illustrating the perspective of the HECM homeowner.

## Stage I: Before the Reverse Mortgage

### Narrative

Homeowners described their home situation before obtaining a reverse mortgage as generally stable, but uniformly cited a range of stressors. The homeowners had lived in their homes for decades and were adjusting to retirement and living on a fixed income. They sometimes struggled to keep up with needed home repairs, utility bills, or property taxes. They were often burdened by health issues—sometimes physical, sometimes mental. Although they did not universally feel they were financially or physically as well off as they could be, they were not worried about losing their homes before purchasing a reverse mortgage. For most of these borrowers, their home was their only source of equity, and Social Security Insurance was their only source of income. *Most of these borrowers did not have a diverse retirement portfolio that included financial assets beyond the home; i.e., they were not ideal candidates for a reverse mortgage as described above.*

### Discussion

Each of the homeowners we spoke with had lived in their home for many years prior to purchasing a reverse mortgage. The shortest residency was 20 years, the longest was 68 years. Five of the eight homeowners owned their home free and clear of a traditional mortgage at the time they obtained a reverse mortgage. The remaining three homeowners owed between \$5,000 and \$17,500 on their traditional mortgages. None of those homeowners described their traditional mortgage balance or mortgage payments as a source of financial stress.<sup>21</sup>

Before obtaining a reverse mortgage, financial stress, health issues, or both had created a new or increased sense of insecurity for many of the homeowners. The most commonly cited source of financial stress was managing a household on a fixed income. Other challenges included the sudden loss of other, supplementary sources of income, poor planning for retirement, or the death of a spouse who had handled the household finances. “I didn’t know too much about this,” one homeowner said. “I never dealt with this stuff until after my husband died. This is something new to me and it was hard.” Household expenses also stressed homeowners’ finances, especially escalating property taxes. *None of the homeowners interviewed were in a financial situation where a reverse mortgage would make sense as part of their broader retirement strategy.*

Several homeowners had health issues before or around the time they obtained a reverse mortgage. One homeowner noted that the reverse mortgage seemed like it would help with health and financial issues, saying, “I was just in hard times at the time. I was very sick and hadn’t worked for a long time.”

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<sup>21</sup> While this was the experience of the homeowners we spoke with for this report, it was reported to us by both housing counselors and legal services attorneys that reverse mortgages are sometimes used as a foreclosure workout.



### Example Homeowner One

The homeowners have lived in their home for 43 years and raised two children there. They had a comfortable life until retirement but began to feel some financial stress in retirement because they “didn’t plan as thoroughly as [they] should have.” Unlike the ideal candidate for a reverse mortgage, they did not have a diversified portfolio of investments that they could rely on during their retirement. Still, they could meet their financial obligations. They saw a reverse mortgage as a financial reward for having paid off their house, saying, “Living in the house very comfortably for many years ... I thought now is a good time for it to pay off for us.” They chose a reverse mortgage because “it seemed reputable” based on a recommendation from their bank and television advertisements with well-known actors. The reverse mortgage lender assured them that they could live in the house for as long as they wanted to. In retrospect, the homeowners could not remember if the lender explained their financial obligations with a reverse mortgage. They did not recall receiving housing counseling before the origination, nor did they recall anyone speaking to them about whether they were suitable candidates for a reverse mortgage.

They paid their property taxes and homeowner’s insurance premiums for a few years, but their limited income eventually meant they “couldn’t keep up with everything.” They had trouble resolving the issue with their loan servicer, who would not provide written information about what the homeowners needed to pay to resolve the delinquency. After the lender initiated a foreclosure action, the homeowners contacted Mt. Airy CDC, which in turn referred them to Senior Law Center. The homeowners regard both of those organizations highly, saying of their housing counselor from Mt. Airy, “Boy, does she ever know her business.” Senior Law Center “was able to seemingly erase [the unpaid property taxes].” They are now current on their property taxes.

The homeowners remain in their home. The reverse mortgage amounts remain due when they leave or pass away. In retrospect, the homeowners said, they “would not have taken out a reverse mortgage.”

## *Stage II: The Reverse Mortgage Origination Process*

### *Narrative*

The homeowner hears about reverse mortgages. They may see an advertisement on television or receive a flyer in the mail, or they may hear about reverse mortgages from a friend, neighbor, or relative, or even directly from an originator making a sales call. The message is clear: You can borrow money and keep your house. Their attention is piqued.

The homeowner meets with the originator and, after a brief discussion, proceeds through the origination process. The process is smooth and easy, and they feel they are being treated with dignity and respect. Importantly for the homeowner, they are assured that they will not have to repay the loan until they sell their house. If they see a housing counselor before origination, it does not leave much of an impression on them. No one discusses with them their suitability for a reverse mortgage, or the risks involved in purchasing a reverse mortgage without having a diversified retirement portfolio.

### *Discussion*

Four of the homeowners were referred to reverse mortgages by a relative, friend, or trusted advisor. The remaining four homeowners learned about reverse mortgages directly from a reverse mortgage company. Many homeowners trusted the spokespeople they saw in advertisements or the originator's agent who spoke with them about a reverse mortgage. When the originator sends someone to the borrower's home to discuss reverse mortgages or close the loan, they often send someone the homeowner is comfortable with: a person who is demographically like them and talks to them like a friend. "They sent an older African-American gentleman to say, 'I understand what you're going through so I'm here to help you,'" one homeowner recalled.

One heir had asked co-workers about potential resources for her mother, who had Alzheimer's. "I work in a school and this teacher, he's a math teacher, I asked him, 'Do you know any company that will assist me to keep from selling my mom's home?' He said, 'They do a reverse mortgage.' And so, I called a couple of them on the phone while I was on lunch break and told them my address and whatever. But they came when I wasn't here and that's what my problem was."

Several homeowners first learned about reverse mortgages through advertisements in the paper, cold calls, a commercial on TV with a reputable actor, or a mailer followed by in-person visit. A homeowner who received a cold call said, "[The originator] told me that he owned a different type of a reverse mortgage company. 'We can loan you the money, fix your house so you can get a reverse mortgage.' He had people come out from somewhere in Maryland [to fix the house]." Another homeowner said they trusted the reverse mortgage product because they perceived the people selling reverse mortgages in advertisements as trustworthy. "It was on television. Reputable people usually, well-known people were in the commercial."

Several homeowners had difficulty remembering details of the reverse mortgage origination process. For example, when asked what she remembered about the origination, one homeowner replied, "I don't know. My memory loss is coming. Someone had called me up? This guy came out and that's how I went through the reverse mortgage. I can't remember his name." Few remembered if they had counseling at the time of the reverse mortgage origination. One said she was never informed that she could speak to a counselor and did not know she was responsible for home repairs until after she agreed to the reverse mortgage. One homeowner said the loan documents were sent to him by mail, and he was never told he should talk to a housing counselor. *No one, as far as they could recall, reviewed their finances in their entirety and discussed with them their suitability for a reverse mortgage.*



## Example Homeowner Two

The homeowner had lived in his home since 1994 and had about \$15,000 remaining on a home equity loan when he was cold-called by a reverse mortgage lender. The lender offered to pay off the home equity loan, make several repairs to the home, and provide the homeowner with the remaining equity in a lump sum payment. The lender sent an appraiser to the home the day after the initial contact but did not originate the loan until three separate appraisers had inspected the property.

The lender sent a contractor to the home. The contractor did some repair work to the back of the home but did not make other promised repairs, including work to the basement. The reverse mortgage company charged \$5,000 for the repair work. The homeowner received \$4,000 from the reverse mortgage company—in his words, “no doggone money.”

The home equity loan was sold to a third party. That company sued the homeowner, claiming that the reverse mortgage lender did not pay the remaining balance on the home equity loan. Community Legal Services represented the homeowner, and they were “there for the whole thing.” A judge ruled that the third-party claimant and reverse mortgage company had to settle the dispute between themselves, and he dismissed the homeowner from the lawsuit.

In the end, the homeowner received at most \$24,000 in benefit from the reverse mortgage: a \$15,000 mortgage repaid, a \$4,000 lump-sum payment, and \$5,000 for repairs. He values the repairs at significantly less than the \$5,000 he was charged, however, and had to litigate whether the mortgage was in fact repaid. Public records indicate that the maximum claim amount (i.e., the amounts received by the lender for the reverse mortgage) was \$64,500, more than two and a half times the benefit to the

*Homeowner: Yeah, the [loan documents] that they sent me I had to sign and fill it out and they sent me a return envelope.*

*Reinvestment Fund: You signed it and sent it back? Nobody sat down and talked to you and said, here's how the loan works?*

*Homeowner: No. I have the papers.*

*Reinvestment Fund: Did they make any sense?*

*Homeowner: No, none of them make any sense because everything was like when you buy a car. They give you a fact about this thing and it's got all of their demands and what you can't sue them about. But that doesn't mean anything. All of this stuff doesn't mean anything to me.*

Most homeowners said they were told either that they could keep their house or that they didn't have to worry about anything until they sold their house. One homeowner said that staying in the house was critical in his decision to obtain a reverse mortgage: "Basically, they explained for the most part that they take a lump sum or somehow, it would be scattered out through the years, something of that sort. They explained that we would live in the house as long as we wanted to and everything is hunky-dory. We had paid for the house." Most homeowners described the origination process as proceeding quickly and smoothly. The timeline between first contact and reverse mortgage origination could be as short as a couple of days.

However, upon reflection many homeowners identified troubling patterns. One homeowner was encouraged to remove his wife from the title to their home to get more money.

*Homeowner: The guy was sitting right there [at his living room table] and he said that if I put my wife's name off the deed, I would get more money.*

*Reinvestment Fund: Because your wife is younger?*

*Homeowner: No, because I was a veteran. So, by her being on the deed I realize now that they [had] maneuvered [me].*

Another homeowner (now deceased) had Alzheimer's at the time of the origination. The originator sent an agent to her home when her daughter (who lived with her) was at work. Her daughter described the loan closing: "I was at work and a gentleman was [in the home she shared with her mother] to have my mother sign for a reverse mortgage. There was nobody present so I turned around and came home [from work]."

Another homeowner had three different appraisals before an appraiser would agree to the origination amount.

*Homeowner: Yes, and they had three appraisers.*

*Reinvestment Fund: Three appraisals?*

*Homeowner: The last appraiser, he actually didn't want to agree with anything. So, I don't know how they [the originator] worked that out.*

Several homeowners were disappointed with the money left over after paying off any remaining forward loan balance and paying the originator-recommended contractor for home repairs. For example, one homeowner said that after paying off the remaining balance on his conventional mortgage (about \$10,000) and making some repairs to his home, he was left with \$4,000 from the reverse mortgage. "He set everything up and they told me that they ... paid the taxes off, they paid everything off on the house first .... So, after everything was paid off on the house, I came out with about \$4,000—which is no money."

An heir said that about \$25,000 paid on behalf of her mother by the reverse mortgage company later turned into a payoff quote for much more. "They paid off the \$15,000 [for her mother's traditional mortgage] and she got \$10,000 and no more money. I said, listen here, you [the originator] got at least \$100,000 [from the value of the house], and I said, I didn't get anything from her."

For one homeowner, the problem wasn't that there was too little money left over for her but that she never received the money at all. The homeowner's daughter and CLS both worked to clear up the situation with the originator, but the originator could not provide a copy of the check for \$18,000 they claimed to have sent. The originator later claimed that the amount was provided in cash, but the originator had no record of that transaction, either. The homeowner's daughter said, "You would know \$18,000. You would know if someone gave you \$100. And if that was the case, again, she wouldn't have had that money in the house. She would've deposited that money so you can pay things or for fear of something happening."

## *Stage III: Encountering Trouble with their Reverse Mortgage*

### *Narrative*

At this point, the homeowners' experiences diverge between those who encounter problems right away and those who don't.

Many things can go wrong right away. Some homeowners are disturbed to discover that they are receiving much less money than anticipated. In some cases, the originator hires someone to make needed repairs, but the repairs are negligible and expensive. In a few cases, a child of the borrower finds out about the reverse mortgage and tries to intervene, perhaps because their parent is mentally impaired, or because the child is also on the deed but not covered by the reverse mortgage.

For other homeowners, however, everything seems to be fine until they receive a default notice and are suddenly at risk of losing their home. The most common reason homeowners enter default is because the servicer has paid real estate taxes or HOI on their behalf. They begin to panic. They contact the servicer but find communicating with the servicers unpleasant and unhelpful. The servicer does not explain things in a way they understand, or the servicer does not respond to their calls or letters. They feel disrespected and exploited by the servicer, and they fear they will lose their home. The change in tone feels sudden to the homeowner: The originator was respectful at origination, but the servicer does not treat the homeowners with dignity or provide them with clear answers. In almost every case, the reverse mortgage originator and servicer were not the same company.

### *Discussion*

Homeowners who were first contacted by the reverse mortgage originator, had a traditional mortgage at the time of the loan, and had repairs associated with the reverse mortgage origination were the most dissatisfied with the reverse mortgage right after origination. Two homeowners had trouble getting an accurate accounting of the reverse mortgage lenders' payments to the borrower or what payments were made on the borrower's behalf.

Three homeowners did not appreciate the repair work done with reverse mortgage proceeds. Two homeowners felt the work was of poor quality and cost too much for the work done. One homeowner said, "The whole thing came to \$5,000. Which is—I don't think they did \$20 worth of work, to tell you the truth." Although one homeowner was satisfied with work on her roof and kitchen, she had refused to use the contractor suggested by the reverse mortgage company and employed a contractor she was familiar with instead. That contractor's work was much more extensive than the work done by a contractor recommended by the reverse mortgage lender. "They wanted to have their company, but I got another company that did it and they did a beautiful job. They stripped the whole roof down, put in new beams, and everything in for the whole new roof."



### Example Homeowner and Heir

The homeowner had lived in her home since she purchased it in 1988. She had about \$17,500 remaining on a mortgage in 2011 when she received a door hanger advertisement for reverse mortgages. She felt both financially strained and in poor health at the time. “I was just in hard times at the time: I was very sick and hadn’t worked for a long time.” Two men came from Maryland the day after she called the lender; one was an African-American man about her age who made her feel comfortable throughout the origination process. She did not recall speaking with a housing counselor before the loan was closed a month after first contact from the lender.

In 2016, the reverse mortgage servicer paid \$3,500 in property taxes on the homeowner’s behalf (which represented several years of property tax delinquency). With assistance from her daughter and Community Legal Services, the homeowner worked out a repayment plan with the servicer. This was a challenging process because the servicer would not allow the homeowner to make partial payments to begin to resolve the delinquency.

The homeowner has an ongoing disagreement with the lender and servicer about the reverse mortgage principal. The lender claims that they disbursed \$18,000 to the homeowner in addition to paying off the homeowner’s mortgage. The homeowner says she never received these amounts. The servicer has told her daughter different accounts of how that money was disbursed—sometimes saying that the homeowner was sent a check, but on other occasions saying the homeowner was given \$18,000 in cash. The homeowner’s daughter says her bank records do not show either a deposit or check cashed for \$18,000. The most recent accounting she received from the servicer lists the loan balance as approximately \$91,350. In retrospect, the homeowner says, “I was just ripped off.”

Homeowners who took out the reverse mortgage to cover expenses in retirement or supplement their income often did not understand that they had to pay property taxes and purchase HOI. Two homeowners expressed dismay that the servicer foreclosed for small amounts—under \$5,000. One homeowner described when he first learned he was responsible for paying for property taxes and homeowner’s insurance: “But see, I didn’t know that. I thought that they paid the taxes and [HOI] policy. Come to find out I was supposed to pay it, but I didn’t know. I thought they were paying it. That’s why they are looking to take our home—because of the taxes and HOI policy. That’s why I went to Mount Airy [for housing counseling] first to find out what was going on.”

Most homeowners and heirs reported communication problems with the servicer throughout the default and foreclosure process. Three homeowners told us they asked for information in writing that the servicer was telling them over the phone, but the servicers never provided the information in writing or did not follow up on the request. One homeowner felt the servicer was harassing him.

About a year or so ago, [the servicer], the reverse mortgage people, called me and they were discussing some things about the house and taxes and so forth and I asked them, please send me a letter explaining and outlining to me what I need to do and decisions I need to make. I remember distinctly waiting a week and another week and another week. I did not hear from them. I had requested that they send a letter explaining what they wanted from me. They did not write me a letter. This is the part that I resent ... Maybe a couple months passed. On my door was stuck with Scotch Tape an envelope with a notice that [read], ‘Call [the servicer].’ They did not send me a letter in the mail. Then every three or four or five weeks after [I asked them to send me a letter explaining the situation], I received a similar notice. Same notice stuck on my door but nothing ever in the mail. And I began to think that perhaps it’s not legal for them to send me anything in the mail. That’s why I started thinking, why would they send stuff on the door?

Homeowners reported that servicers often refused to provide routine information even after multiple requests. One homeowner who was disputing amounts the originator claimed to have disbursed to her repeatedly asked the servicer to provide her with an accounting but could not get her HUD-1 document until CLS became involved. When CLS obtained a copy of the HUD-1 document, the homeowner believed it was a forgery and her signature had been transferred from another document. “She called [the servicer] and asked for the HUD-1 letter and they said, ‘We don’t have it,’” her daughter recounted. “She had to keep calling before—they still didn’t give it to her. It wasn’t until I think when [CLS] got involved that they finally sent it .... [A CLS attorney] found it on the system, but there was clearly something that was off about it. It was her initials but you could see where it was a paper or the initials or whatever, someone had cut something off.”

Another homeowner continued to receive notices from the servicer about amounts the servicer claimed he owed after the reverse mortgage foreclosure was resolved. “When I came in yesterday, I got a letter. There was a thing on the door from some ... reverse mortgage company saying that I owed them money. I called the number and the girl said she couldn’t find anything.” Another common issue with the reverse mortgage servicers is that they were not willing to accept partial payments for amounts they claim the homeowner owes.

Heirs had several additional difficulties in working with the reverse mortgage servicer, including: 1) that the servicer often will not speak with the heir until they have power of attorney or Letters Testamentary; 2) difficulty obtaining an accurate accounting of the amounts required to pay off the

reverse mortgage; and 3) credit difficulties when trying to purchase a traditional mortgage to pay off the reverse mortgage.

Obtaining power of attorney or initiating the probate process can be a slow and expensive process for the heir. One heir was told that the interest on the loan stopped when the homeowner passed away, but then received several different payoff quotes for the loan. “I contacted the reverse mortgage company and of course they gave me minimal information, but I do remember the [servicer’s representative] stated that once he passed away the interest was supposed to stop. But the interest of course never stopped.”

Some heirs needed to improve their credit so they could obtain a mortgage to repay the remaining balance on the reverse mortgage. They felt that the benefit their parent received was far outstripped by the amount of money the reverse mortgage company demanded after a parent passed away. “It’s build, build, build. You can’t pay it off. What if my mom lived another 10 years? By then it would be \$80,000 with that rate. From 2008 to here is [\$67,000], so another 10 years it’ll be \$80,000. What sense does that make? You defeat the purpose. You really just want to take the house, that is what it is.”

## *Stage IV: Resolution of the Foreclosure and Reflection*

### *Narrative*

With the help of a housing counselor, attorney, or relative, the homeowner gets on a path toward saving their home. They are referred to a housing counselor and, where appropriate, the housing counselor refers them to a lawyer. Their case is sent to the Diversion Program, where the housing counselor or lawyer fights to protect their interests. They learn about Philadelphia’s Homestead Exemption program, which enables them to reduce their outstanding tax bill—a first step toward affording their property taxes. Although they are still upset about the experience, they are hopeful that they will be able to keep their home, which is their top priority. Looking back, they regret taking out the reverse mortgage, but they are quick to note that they didn’t feel like they had many other options. At the time, they needed the money and knew of no other source of additional income.

### *Discussion*

Many homeowners appreciated that an attorney or counselor represented them at the Diversion Program and spoke with the servicers’ attorneys on their behalf. Six of the eight households attended at least one conciliation conference, one resolved their case outside the Diversion Program with the help of a CLS attorney, and one resolved their delinquency with the help of their daughter before a scheduled conciliation conference.

Homeowners felt that their attorneys and counselors explained the process well and treated them respectfully. With the help of their attorneys and counselors, they were able to overcome the communications issues with the servicer. One homeowner described his experience working with a CLS attorney: “She [the CLS attorney] went to court for all of this .... She’s been here for the whole thing.” Another homeowner described his experience with Senior Law Center: “We were so far behind when they started. They—meaning the mortgage people -- pushed to pay for it. We weren’t able to do it and then I sought out help. Ended up going to [Senior Law Center]. She [a Senior Law Center attorney] helped us with that. We owed about \$25,000 with interest. She was able to seemingly erase that, or at least from our responsibility.”

Housing counselors were also frequently helpful in working through both the financial and emotional issues during the default and foreclosure process. One homeowner said this about her housing counselor: "She carried me through everything. She was remarkable." An heir summarized his experience working with a housing counselor this way: "The City was actually helpful. If it was left up to [the reverse mortgage company], they would've had that house a long time ago."

Homeowners and heirs described their attorneys and counselors as straightforward, giving the homeowners and heirs honest appraisals of their cases even when the information was not easy for them to hear. There were two situations in which legal service attorneys were not able to assist homeowners because the homeowners' claims against reverse mortgage originators were barred by a statute of limitations. These claims were about problems that occurred when the loan began, such as the mental capacity of the borrower to understand the loan and the failure of the originator to provide counseling and a HUD-1 statement. In these cases, the homeowners and their heirs unfortunately did not explore their legal options until they encountered other problems with the loans years after the loan origination.

In this circumstance, the only option left to the heir is to repay the reverse mortgage. If the heir does not have adequate income or credit to repay the reverse mortgage with a traditional mortgage, then they must sell the home. "I'm in bad shape. My income is not large enough to [get a mortgage]. I talked to her [a housing counselor] and she went and put in how much I get a month. And [the counselor said], 'Your credit score is not where it needs to be at,' and so I [cannot] go and get a signature loan for \$100,000. And I only get \$1,400 a month.... I have a no-win battle."

Looking back now at their decision to obtain a reverse mortgage, several homeowners expressed regret about taking out the reverse mortgage and a feeling that they did not have many other options at the time. "If I knew then like I knew now, I would've never gotten a reverse mortgage. But I was not in that predicament [then], I'm in that predicament now .... I needed their resources. At that time our son was in college and we needed the loan." Another homeowner said, "From the beginning I would not have done it. We weren't in such dire need but we thought at the time that it might be a good thing and it seemed reputable, so I did it."

One homeowner felt the reverse mortgage was very helpful to her, saying, "I've been delighted with it." This homeowner was the only homeowner we interviewed who came close to meeting the definition of an ideal candidate for a reverse mortgage: She did not have diversified investment portfolio, but she did have additional revenue by renting out other floors of her home as apartments, ensuring a steady rental income flow throughout her retirement.

Two of the three heirs interviewed felt their parent would not have purchased the reverse mortgage if the loan had been thoroughly explained before origination. One heir said the way the originator explained the reverse mortgage to her mother was a lie. "They lied and told us one thing and did something different. So those commercials on TV, they need to ban them. Somebody should go and tell them the truth. Do not do it! Someone needs to make a commercial: 'They're taking your homes.'" Another believed that the reverse mortgage process is predatory, analogizing it to payday loans. "My mom panicked and didn't say anything to me or my sister. People do impulse things like the people who take out the [payday] loans because they need it."

## Suggestions from Homeowners and Heirs for the City<sup>22</sup>

In addition to the help they received through legal service attorneys and housing counseling, homeowners and heirs had several suggestions for other ways the City could help them throughout the life of the reverse mortgage.

One family suggested that the City should require *local* housing counseling for all reverse mortgage borrowers, and that the housing counselor should keep all records of the transaction so that they are accessible for future use. “The City should make sure that it is mandatory and that there are recordings and documentations, that you’ve gotten your [housing] counseling before anything goes further. Before we talk about reverse mortgages, I have to go to counseling. And send that [documentation of housing counseling] to the City saying that this person came and we sat down. We came up with this. Or they’re going to go with the reverse mortgage but they [won’t] understand it.”

One homeowner suggested an automatic payment program would smooth the burden of paying property taxes in a yearly lump sum and help seniors make timely property tax payments: “I’ve been delighted with it. And the fact that the payments can be made on time because of [my daughter] setting them up to be automatic, I don’t even have to worry about this darn dementia. If they weren’t automatic, who knows if I would pay.”

Another homeowner said that many seniors are not aware of the City of Philadelphia’s real estate property tax Homestead Exemption (and other property tax relief programs), and that the City should promote those programs more widely to promote awareness, noting, “The Homestead program is fine. I don’t think a lot of people take advantage of it. A lot of people don’t know about it.”

Several homeowners said that property taxes are too burdensome for seniors who have already paid taxes for many years. Common sentiments included, “I’m not going anywhere. They should know that. This is our first and only home. They should give us a break on taxes. Regardless.” Another homeowner stated, “I think personally that after, especially having lived in this city for so long and paying what I felt were exorbitant taxes for so long, that once a person who meets that criteria reaches a certain age, that the tax burden should be relieved somewhat.”

Many homeowners would like a senior-specific City program to help with home repairs.

Finally, one heir suggested that the City could create a pamphlet with information about reverse mortgages and the important decisions homeowners and heirs must make from reverse mortgage origination through default or repayment.<sup>23</sup> “The average person dealing with someone who passes away and gets rolled into a reverse mortgage, you’re completely ignorant to it and you don’t know what’s going on. You’re finding your way as you go through the process.”

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<sup>22</sup> These suggestions come directly from interviews with homeowners. Before implementing any particular suggestion, the City should determine the legality and feasibility of that suggestion. For instance, many banking regulations are promulgated through state or federal rule making. Any local attempts to change/amend/augment the regulation of, or reporting for, HECM loans should be pursued in consultation with state and federal authorities.

<sup>23</sup> The Division of Housing and Community Development has a pamphlet with information about reverse mortgages on their website: <http://ohcdphila.org/housing-counseling/reverse-mortgage-information/> (accessed 7/13/2018).

## Conclusion

The homeowners interviewed for this report assumed that they could purchase a reverse mortgage and keep their home. Originators emphasized this to the homeowner throughout the origination process. Homeowners later faced the very real possibility that they would lose their home, and often were unsure why. For the homeowners, this was a painful emotional experience: They describe the reverse mortgage process as a journey from feeling secure (albeit financially stressed) in their home, through fear at the prospect of losing their home, with a return to hopefulness after help from a housing counselor or legal services attorney.

Previous research into reverse mortgages suggests that these homeowners were not ideal reverse mortgage borrowers. They did not have diversified retirement portfolios or financial advisors. Like ideal HECM borrowers, however, these Philadelphia homeowners wished to age in place. Their physical, cognitive, and financial vulnerabilities may have made a reverse mortgage a poor choice of financial product for their situation. That message was never clearly delivered to them before origination. The 2015 financial assessment requirement is intended to better serve similarly situated homeowners, although researchers are concerned that the financial assessment might not fully address these issues. “Recent government changes have been designed to encourage more responsible use, but in many cases, the compensation for loan officers originating these mortgages still may be linked to the initial borrowing amount. Loan officers may suggest taking more out sooner as a result.”<sup>24</sup>

Heirs of reverse mortgage borrowers were less optimistic about the prospect of keeping their family home. Sometimes heirs had not found out about the reverse mortgage until well after origination, when it was too late to financially or legally address the consequences of the loan. In the best circumstances, they faced an expensive decision about repurchasing their family home, an option only available if they had the credit and income to secure a mortgage. Many heirs believed their parent did not fully understand the likely outcome of the reverse mortgage loan, a sentiment confirmed in our interviews with borrowers who clearly did not always understand the terms or implications of the product they were being sold.

The homeowners and heirs interviewed for this report are not representative of the full range of experiences Philadelphians have had with reverse mortgages: They are examples of people for whom the product failed. Most of the homeowners were not ideal candidates for a reverse mortgage. They had engaged in no or limited retirement planning and instead purchased a reverse mortgage in response to financial and health stressors. The originator however presented an unsuitable product that (in these applications at least) was, at best, a short-term alleviation of financial stress rather than a solution with little or no risk. Their experiences are informative of how a product intended to enhance or stabilize financial wellbeing could instead endanger their home.

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<sup>24</sup> Pfau, p. 50

## Appendix I – Interview Protocol for Reverse Mortgage Borrower

1. How long have you lived in this home?
2. How did you first learn about reverse mortgages?
  - a. Were you contacted by a reverse mortgage originator or someone who works with a reverse mortgage originator?
  - b. Did you see or hear ads for reverse mortgages?
  - c. Did a family member, friend, or neighbor recommend considering a reverse mortgage?
  - d. Did you have a traditional mortgage before taking out the reverse mortgage?
3. What was your experience with the reverse mortgage company?
  - a. Were there any important things about the reverse mortgage that you learned later, and if so, what were those? Is there anything you wish you knew about reverse mortgages before you agreed to the loan?
  - b. Did you talk to a counselor? How well informed about reverse mortgages did you feel after talking to the counselor?
  - c. How would you describe the reverse mortgage company's treatment of you throughout this process? What problems (if any) did you have with the reverse mortgage company before the foreclosure?
4. How did you run into trouble with your reverse mortgage?
  - a. Were there other things happening in your life that caused problems with the reverse mortgage? Anything like an illness, other financial troubles, or helping a family member with an issue?
  - b. How did you find out your home taxes are not included with a reverse mortgage (unlike a traditional mortgage)?
  - c. How did you find out home insurance is not included with a reverse mortgage (unlike a traditional mortgage)?
  - d. Did your originator claim your home needed repairs?
5. What was your experience like once you were in foreclosure?
  - a. How were you referred to a housing counselor? Did someone come to your house? Did you get something in the mail? Did you call the hotline?
  - b. What did the housing counselor do to help you through the foreclosure with the reverse mortgage originator? Did you go to conferences at City Hall? How many conferences did you go to? What did you think about those conferences?
  - c. Was the issue with the reverse mortgage company resolved? What was the resolution?
  - d. How do you feel about the resolution?
6. What else could the City have done to help you with the reverse mortgage?
7. What else could your housing counselor have done?
8. Knowing what you do now, what, if anything, would you have done differently?
9. Is there anything else we should know about your experience with reverse mortgages that we haven't talked about yet?

## Appendix II – Interview Protocol for Heir to Reverse Mortgage Borrower

1. How long have you lived in this home?
2. How did you first learn about the reverse mortgage?
  - a. Did your parent(s) speak with you about the reverse mortgage? If so, what did they explain about how reverse mortgages work?
  - b. What were your parents' plans for the home after they passed away? Do you think they understood that the reverse mortgage would have to be paid back after they passed away?
3. How did you learn that the reverse mortgage was in foreclosure?
4. What was your goal in working with the reverse mortgage company?
  - a. Did you want to inherit the home?
  - b. If so, could you either pay off the reverse mortgage or get another mortgage to pay the reverse mortgage amounts?
  - c. Were there any issues in trying to get another mortgage, like building credit or having the home appraised?
5. What was your experience like working with the reverse mortgage company?
  - a. What information did you receive from the reverse mortgage company?
  - b. What else did you want to know about the reverse mortgage that the information from the reverse mortgage company did not explain?
  - c. Did you receive a payoff quote for the reverse mortgage amounts? Was that based on 95% of the property value?
6. How would you describe your experience with housing counseling?
  - a. How did you connect with your housing counselor?
  - b. What did the housing counselor do to help you through the foreclosure with the reverse mortgage originator? Did you attend any conferences at City Hall? How many conferences did you go to? What did you think about those conferences?
  - c. Was the issue with the reverse mortgage company resolved? What was the resolution?
  - d. How do you feel about the resolution?
7. What else could the City have done to help you with the reverse mortgage?
8. What else could your housing counselor have done?
9. Is there anything else we should know about your experience with reverse mortgage that we haven't talked about yet?

Appendix III – Largest Volume Lenders in Philadelphia and Surrounding Areas

Rank	Reverse Mortgage Lender	Count HECM	Count Fixed Rate	Percentage Fixed Rate	Interest Rate	Initial Principal Limit	Max Claim Amount
1	Net Equity Financial Inc.	866	726	84%	5.1	\$81,604	\$126,000
2	Generation Mortgage Company	698	574	82%	5.0	\$66,323	\$100,000
3	Finance of America Mortgage LLC	409	202	49%	4.4	\$77,545	\$125,000
4	Wells Fargo Bank NA	300	112	37%	2.8	\$99,480	\$150,000
5	American Advisors Group	291	73	25%	3.3	\$77,350	\$135,000
6	One Reverse Mortgage LLC	237	128	54%	5.0	\$74,280	\$125,000
7	Liberty Home Equity Solutions Inc.	165	79	48%	4.5	\$80,620	\$130,000
8	MetLife Bank NA	163	83	51%	4.8	\$94,250	\$145,000
9	All Financial Services Inc.	130	124	95%	5.1	\$68,691	\$109,500
10	Flagship Mortgage Corporation	105	61	58%	5.6	\$58,835	\$86,000

Appendix Table One: Largest Volume Reverse Mortgage Lenders in Philadelphia, 2009–2016

Rank	Reverse Mortgage Lender	Count HECM	Count Fixed Rate	Percentage Fixed Rate	Interest Rate	Initial Principal Limit	Max Claim Amount
1	Wells Fargo Bank NA	566	152	27%	2.7	\$170,255	\$260,000
2	Finance of America Mortgage LLC	471	166	35%	3.3	\$159,698	\$255,000
3	American Advisors Group	359	93	26%	3.2	\$143,352	\$235,000
4	One Reverse Mortgage LLC	258	107	41%	3.8	\$147,748	\$231,500
5	MetLife Bank NA	258	103	40%	3.2	\$169,950	\$264,000
6	Liberty Home Equity Solutions Inc.	222	91	41%	3.5	\$161,813	\$263,750
7	Generation Mortgage Company	131	63	48%	3.5	\$142,500	\$220,000
8	Net Equity Financial Inc.	104	69	66%	5.1	\$136,567	\$214,000
9	Flagship Mortgage Corporation	22	18	82%	5.5	\$148,655	\$231,000
10	All Financial Services Inc.	9	9	100%	5.6	\$97,955	\$143,000

Appendix Table Two: Largest Volume Reverse Mortgage Lenders in Surrounding Pennsylvania Counties, 2009–2016

Rank	Reverse Mortgage Lender	Count HECM	Count Fixed Rate	Percentage Fixed Rate	Interest Rate	Initial Principal Limit	Max Claim Amount
1	Net Equity Financial Inc.	704	597	85%	5.1	\$75,887	\$119,000
2	Generation Mortgage Company	560	472	84%	5.0	\$63,083	\$95,000
3	Finance of America Mortgage LLC	228	123	54%	4.5	\$66,066	\$100,000
4	Wells Fargo Bank NA	153	64	42%	2.8	\$78,840	\$120,000
5	American Advisors Group	145	34	23%	3.3	\$65,040	\$110,000
6	One Reverse Mortgage LLC	138	78	57%	5.0	\$63,710	\$106,500
7	All Financial Services Inc.	114	110	96%	5.1	\$68,470	\$106,000
8	MetLife Bank NA	82	47	57%	5.0	\$75,070	\$115,000
9	Liberty Home Equity Solutions Inc.	73	42	58%	5.0	\$61,404	\$95,000
10	Home Point Financial Corporation	71	22	31%	3.7	\$51,510	\$80,000

Appendix Table Three: Largest Volume Reverse Mortgage Lenders to African-Americans in Philadelphia, 2009–2016

Rank	Reverse Mortgage Lender	Count HECM	Count Fixed Rate	Percentage Fixed Rate	Interest Rate	Initial Principal Limit	Max Claim Amount
1	Wells Fargo Bank NA	47	17	36%	2.8	\$120,395	\$185,000
2	Finance of America Mortgage LLC	41	19	46%	3.7	\$103,840	\$170,000
3	Net Equity Financial Inc.	37	26	70%	5.1	\$114,855	\$175,000
4	American Advisors Group	28	11	39%	4.1	\$146,681	\$238,500
5	One Reverse Mortgage LLC	25	11	44%	4.1	\$140,980	\$212,000
6	Generation Mortgage Company	23	17	74%	5.1	\$114,036	\$165,000
7	MetLife Bank NA	18	11	61%	5.0	\$133,145	\$201,950
8	Liberty Home Equity Solutions Inc.	15	8	53%	5.0	\$114,467	\$180,000
9	Home Point Financial Corporation	13	4	31%	3.7	\$87,450	\$150,000
10	All Financial Services Inc.	3	3	100%	5.6	\$108,110	\$155,000

Appendix Table Four: Largest Volume Reverse Mortgage Lenders to African-Americans in Surrounding Pennsylvania Counties, 2009–2016





Reinvestment Fund has published a range of reports addressing critical public policy issues. The highlighted reports below represent recent housing research projects. For details, please visit our Policy Publications site:

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2016

## West Philadelphia Scattered Site Model: An Affordable Housing Impact Study



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