

Statement of Carol Anthony

Before the Senate Special Committee on Aging

December 12, 2007

Senators Kohl and McCaskill, thank you for shining a light on this important issue.

My father, John Adcock, was a member of the greatest generation. During WW2 he served proudly with the United States Marines in the South Pacific. When the war was over, he returned to his home town, Salinas California, Grateful to be able to get a good job and in his words “marry the prettiest girl in town.” Mom and Dad built a home, lived their lives modestly *and made sure their 2 daughters were provided the opportunity of higher education.*

When dad died in 2000, he left mom with a comfortable estate so she would be provided for safely the rest of her life.

What he didn’t provide, what he never even anticipated, was the need and knowledge to protect her from **Predatory Lenders, Con-Men** and the “**new California Gold Rush**” also known as the reverse mortgage.

**That’s why I’m here today.** In April 2006 my 80 year old mother (Betty) was sold a reverse mortgage. At the time of the sale, she was in poor health, frail and not at all capable of entering or understanding even the simplest financial dealings. And, most importantly, mom didn’t need a reverse mortgage. She had substantial money in different accounts and investments and beside, I had already helped her establish a \$150,000 home equity line of credit in her name for any unforeseen emergency. The closing cost for the home equity line was zero.

In the 3 years she had access to the credit line, she had only borrowed \$19,000. She was paying very little per month to service this line.

*But* in April 2006, a salesman entered the picture, introduced to my mother by her 86 year old friend (by the way, also a widow). The salesman and the lending institution promised:

- “There would be no risk of losing her home.” But there was.
- “She would receive independent credit counseling.” But she did not.
- “All loan options available to her would be reviewed”. But they were not.
- “She would never be rushed into signing anything she did not fully understand or was not ready to sign.” But she was.
- “She would never be pressured into applying for more money than she needed.” But she was.
- “She would not be incurring a mortgage.” But she did.
- “All loan terms would be carefully explained.” But they were not.

When mom signed on the dotted line, she felt the salesman was a good friend. But he was not.

In place of the no fee home equity line, she now had a reverse mortgage that charged 18 closing fees depleting the equity in her home: **The equity that had been saved over the years .... one buck at a time.**

The 18 closing fees totaled a staggering \$16,791.23. Next, she was forced to make home repairs of about \$5000. Repairs not mandated with the equity line, *but are all to common with financial freedom*. Now, instead of paying interest only on the \$19,000 equity line, she received her first statement showing a principle balance of almost \$37,000 with interest compounded daily. She would also be charged a monthly finance charge called an “**MIP**” and another monthly finance charge called a “**Finance Charge**” to compound the financial damages, the salesman converted \$125,000 from one of mom’s municipal bond funds into a 20 year annuity. The municipal bonds had been paying mom a nice monthly income, now, she would have to wait until her 100<sup>th</sup> birthday to see a cent of her money.

Even though the salesman, working for Senior Financial Freedom (for the reverse mortgage) and Standard Life of Indiana (for the annuity) had no real estate or securities license, the harm was done. On the day she signed the loan and insurance documents, close to \$165,000 had been effectively lifted from her estate.

### **Why Should You Get Involved?**

I believe the current housing crisis and the explosion of reverse mortgages have some similarities and connections. Both entities have at least insinuated, if not promised home values would continue to rise at about 4% **forever**. Both sets of lenders have demonstrated they are more than willing to sell loans to people who can’t afford them, or to the elderly with home equity lines that don’t need them. Lenders are no longer dealing in subprime loans and people without money are unable to qualify for loans.

So where do you think the thousands of real estate and insurance salesmen and women are headed? To the reverse home mortgages market!

It is the new **California Gold Rush** coming to your area faster than a California wild fire. Thanks to aggressive DVD marketing, featuring such trusted celebrities like James Garner and Robert Wagner. Over 86,000 seniors purchased reverse mortgages just last year. Sales seminars are seeing 10 times the number of participant as they were seeing just a year ago. Senior Financial Freedom is offering careers in what they are calling the **explosive market** of reverse mortgages.

I have some suggestions on how to put a damper on the reverse mortgage market.

First make reverse mortgage lenders compare their product with other conventional home mortgage products – such as the home equity line of credit. This one act would reduce the future number of reverse mortgages and the problems associated with them. The current system of letting the lending institutions provide their own sales pitch and calling it “independent credit counseling” should be stopped.

And second, substantially reduce loan fees the elderly must pay for the privilege of tapping into the equity of their own homes.

When mom realized what the salesman had done, she became very depressed and all but stopped eating. The rage that I felt seeing her cry and hearing her call herself a fool was profound. She was lucky, I was able to buy back her house and amicably settle the annuity issue.

**But what about the other victims**, the aged, the elderly, the members of the greatest generation. They are part of that trusting generation now so susceptible to predators, predators whose only appreciation for the elderly is appreciation of their money. I appreciate these members of the greatest generation and will be forever thankful and in awe of their sacrifices. They put their lives on hold, went to war and saved the free world. Now I am asking you to save them.