

**Opening Statement of Senator Herb Kohl
Special Committee on Aging Hearing
Reverse Mortgages: Polishing Not Tarnishing the Golden Years
December 12, 2007**

Good morning, I would like to welcome our witnesses and thank them for their participation today. I would especially like to thank Senator McCaskill and her staff for putting together what I know will be an insightful and productive hearing.

In 1987, the Department of Housing and Urban Development created the Federal Home Equity Conversion Mortgage program. Known as HECM, the program was charged with reviewing the use of reverse mortgages. Twenty years later, we have seen the number of reverse mortgages sky-rocket. In fact, HECM reverse mortgage loans have increased by 41 percent from fiscal year 2006 to fiscal year 2007. In my home state of Wisconsin, there has been a 97 percent increase in HECM reverse mortgage loans during the same time period.

American consumers see and hear advertisements for reverse mortgages all the time. Agents are targeting seniors aggressively in ways this committee has seen before: through direct mail, celebrity endorsements, and free lunch seminars. Marketers often gloss over the risks of a reverse mortgage, but they convey the pay-off quite clearly.

When used properly, reverse mortgages can be an effective way for seniors to tap into the equity of their house as a means to bolster their retirement security. But too often these products are not used effectively and seniors end up losing their homes. Some salesmen are also convincing seniors to swallow this double-dose of bad financial advice: take the cash from a reverse mortgage and use it to fund an unsuitable annuity. As this committee determined at our September 5th hearing, long-term annuities are almost always inappropriate for seniors, as they can tie up retirement savings far beyond one's life expectancy.

Both Senator McCaskill and I would like to see the rights and interests of senior homeowners protected. I am delighted to be working with Senator McCaskill on legislation she is crafting that would strengthen consumer protection, fund independent financial counseling, and institute regulations to safeguard seniors from predatory lending tactics.

Thank you all again for being here today. I am now honored to hand the gavel over to my distinguished colleague from Missouri, Senator Claire McCaskill.