One in six mortgages of >50 Americans are underwater: AARP

By Editor Test *Mon, Jul 23, 2012*

Subprime, middle-income and minority borrowers have been hardest hit by the housing crisis. But serious delinquency rates are still higher among those under age 50.

Older Americans were supposedly more immune to the housing crisis than younger people, thanks largely to their longer history in the housing market. But a new study by the AARP Public Policy Institute shows that millions of older Americans carry more mortgage debt than ever, and more than three million risk the loss of their homes.

The study, "Nightmare on Main Street: Older Americans and the Mortgage Market Crisis," measured the progression of the mortgage crisis and its effect on people age 50 and older.

From 2007 to 2011, more than 1.5 million older Americans lost their homes as a result of the mortgage crisis, the study showed. About 3.5 million loans of people age 50 and older are "underwater"—meaning homeowners owe more than their home is worth and have no equity; 600,000 loans of people age 50 and older are in foreclosure; another 625,000 loans are 90 or more days delinquent.

More policy solutions are needed to assist all homeowners, particularly older Americans, the study asserted. "Policy solutions that should be considered include: principal reduction loan modifications; mediation programs; more access to housing counseling and legal assistance programs; and development of short-term financial assistance programs," wrote author Lori A Trawinski, Ph.D., CFP.

Using nationwide loan-level data for the years 2007 to 2011, the study examined loan performance based on borrower age, loan type, and borrower demographics. It showed that, as of December 2011:

- Among people age 50 and older, the percentage of loans that are seriously delinquent increased 456% during the five-year period, from 1.1% in 2007 to 6.0% in 2011. As of December 2011, 16% of loans of the 50+ population were underwater.
- Serious delinquency rates of borrowers age 50–64 and 75+ are higher than those of the 65–74 age group. People in the 75+ age group are facing increasing mortgage and property tax expenditures and decreasing average incomes. Serious delinquency rates of the <50 population are higher than those of the 50+ population.
- Of mortgage borrowers age 50+, middle-income borrowers have borne the brunt of the foreclosure crisis. Borrowers with incomes ranging from $50,000 to $124,999 accounted for 53% of foreclosures of the 50+ population in 2011. Borrowers with incomes below $50,000 accounted for 32%.
- The foreclosure rate on prime loans of the 50+ population increased to 2.3% in 2011, 23 times higher than the rate of 0.10% in 2007. The foreclosure rate on subprime loans of the 50+ population increased from 2.3% in 2007 to 12.9% in 2011, a nearly six-fold increase over the five-year period.
- African American and Hispanic borrowers age 50+ had foreclosure rates of 3.5% and 3.9%, respectively, on prime loans in 2011, double the foreclosure rate of 1.9% for white borrowers in 2011.
- Since 2008, Hispanics have had the highest foreclosure rate on subprime loans among the 50+

population—14.1% in 2011. African Americans age 50+ had the highest foreclosure rate in 2007. White borrowers age 50+ had the lowest subprime foreclosure rate until 2010, when their rate was slightly higher than that of African Americans and remained higher in 2011.

- One-quarter of subprime loans of borrowers age 50+ were seriously delinquent as of December 2011.