

City of Philadelphia



Council of the City of Philadelphia
Office of the Chief Clerk
Room 402, City Hall
Philadelphia

(Resolution No. 080729)

RESOLUTION

Authorizing the Council Committee on Public Health and Human Services to hold hearings regarding reverse mortgages.

WHEREAS, According to *CNN* and the Employee Benefit Research Institute's 2008 Retirement Confidence Survey, only 18% of workers polled were very confident about saving enough money for a comfortable retirement and according to the *Washington Post* and a recent Ernst & Young study, nearly three out of five "middle-class retirees" will probably run out of money if they maintain their pre-retirement lifestyles and will have to reduce their standard of living by an average of 24% to minimize their chances of outliving their financial assets; and

WHEREAS, Many Americans fail to properly save for retirement and have even less confidence in their retirement savings and the U.S. economy in light of the approximate \$700 billion proposed federal bailout of various financial institutions due to subprime and other mortgage products that were bundled into novel and exotic Wall Street investments; and

WHEREAS, Philadelphia is a city of neighborhoods and maintains a population of property owners that enable this City to have one of the country's highest homeownership rates and, for these homeowners, the majority of their net worth is comprised of the equity in their homes; and

WHEREAS, Considering these financial concerns, many Philadelphians and other citizens are looking to the equity in their homes through reverse mortgages as a means to provide additional retirement income; and

WHEREAS, A person who is 62 years or older, owns their own property or has a small remaining mortgage balance, resides in this property as their primary residence, and receives counseling from a HUD approved counselor, may receive a reverse mortgage, which is a loan from a HUD approved financial institution; and

City of Philadelphia

RESOLUTION NO. 080729 continued

WHEREAS, Unlike an ordinary home equity loan, a reverse mortgage does not require repayment as long as the home is the borrower's principal residence and lenders recover their principal, plus interest, when the home is sold and the remaining value of the home goes to the homeowner or to his or her survivors and if the sales proceeds are insufficient to pay the amount owed, HUD will pay the lender the amount of the shortfall; and

WHEREAS, Considering the current state of the U.S. economy and the near collapse of the subprime mortgage and loan industry, various consumer advocates and housing counselors are concerned that predatory lenders are moving into the reverse mortgage industry in order to strip the equity from senior homeowners through high interest rates and fees; and

WHEREAS, In light of Philadelphia's and this body's role as a municipal and legislative leader in the area of consumer protection in the financial services industry by being an early advocate against predatory and payday loans, it is important to investigate the reverse mortgage industry to prevent Philadelphians from becoming potential victims; now therefore, be it

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That the Committee on Public Health and Human Services is authorized to hold hearings regarding reverse mortgages.

City of Philadelphia

RESOLUTION NO. 080729 continued

City of Philadelphia

RESOLUTION NO. 080729 continued

CERTIFICATION: This is a true and correct copy of the original Resolution, Adopted by the Council of the City of Philadelphia on the twenty-fifth of September, 2008.

Anna C. Verna
PRESIDENT OF THE COUNCIL

Patricia Rafferty
CHIEF CLERK OF THE COUNCIL

Introduced by: Councilmembers Tasco, Sanchez and Reynolds Brown

Sponsored by: Councilmembers Tasco, Sanchez, Reynolds Brown, Miller, Greenlee, Rizzo, Jones, Goode, Council President Verna, Councilmembers DiCicco, Blackwell, Kenney, Clarke, O'Neill and Kelly