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Crisis extends to older homeowners

By Adrian Sainz

Associated Press

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MIAMI An AARP study released Thursday challenges the perception that older Americans have been left out of the current real estate crisis because they have built up enough home equity to avoid delinquencies and foreclosure.

Research by AARP's Public Policy Institute showed that 684,000 homeowners age 50 and over were either in foreclosure or delinquent on mortgage payments in the last six months of 2007.

Homeowners age 50 and over represented about 28 percent of all delinquencies and foreclosures.

Of the 684,000 homeowners, about 50,000 were in foreclosure or already lost their homes, the study showed.

The vast majority of homeowners 50-and-over, however, are keeping up with their mortgage payments. The foreclosure rate among older Americans in the sample was 0.24 percent at the end of 2007.

That was half the rate for those younger than 50, who tend to have even less equity than their older counterparts, the study showed.

The study also reflects the effect that the subprime mortgage market meltdown had on homeowners 50 or over.

Older Americans with subprime mortgages were nearly 17 times more likely to be in foreclosure than those who had prime loans, the study showed.

The states with high foreclosure rates for older Americans include California, Colorado, Florida, Nevada and Michigan.

Many older Americans have tapped into their home equity for things such as home repairs and sending their children to college. Now, some seniors with fixed incomes are having trouble meeting payments.

Daniel Alpert, managing director at the investment bank Westwood Capital, said homeowners young and old who tapped their equity when the housing market was running hot and homes were being overvalued earlier this decade may now be facing the consequences.

“People had this perception that they were flush,” Alpert said. “Here you have this massive amount of debt that was actually being spent on stuff, and now there's no access to that money.”



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