

Reverse Mortgages and Property Tax Default

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According to a 2014 actuarial review an estimated 12 percent of active reverse mortgages were in technical default for the nonpayment of taxes and insurance. Although property tax delinquency rates vary across the U.S., property tax delinquency rates rarely surpass 12 percent at the county or municipality level. In fact, CoreLogic estimates the national tax delinquency rate in 2014 to be 2.6 percent for properties with a mortgage. Given the relatively high rate of property tax delinquency for reverse mortgages, this research project examines whether reverse mortgage properties experience property tax default at the same rate as otherwise similar properties by combining loan-level data from the HECM and FHA program with parcel-level property tax records.

Key Words: Property Tax Default; Reverse Mortgage; HECM

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