

➔ Reverse Mortgages

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What is a reverse mortgage?

Reverse mortgages are a type of mortgage loan that allows individuals aged 62 and older to withdraw the equity in their home through monthly payments or a lump sum payment. Typically, the loan is required to be repaid when the home is sold or when the owner dies, otherwise the property belongs to the lender.

The Federal Housing Administration (FHA) insures reverse mortgage lenders from losses they may suffer through its Home Equity Conversion Mortgage (HECM) program when a reverse mortgage borrower defaults. Reverse mortgage borrowers can default if they violate conditions of the mortgage, such as when a borrower fails to pay property taxes or homeowners' insurance, no longer occupies the home as a primary residence, or has not kept the home in good repair.

HECM borrowers may become targets of schemes designed to take advantage of those seeking reverse mortgages.

Perpetrators of common reverse mortgage schemes:

- ➔ Often target older adults through local churches; investment seminars; and television, radio, billboard, and mailer advertisements.
- ➔ May be a family member or trusted caregiver. Unfortunately, past schemes have involved family members who coerce their elderly relative into pursuing a HECM loan or impersonate their elderly relative during the loan process.
- ➔ May steal a borrower's identity and use his or her Social Security number and other personal information without the borrower's knowledge.
- ➔ May entice borrowers to use proceeds to make a "can't miss" or "sure thing" investment or get the loan to pay for high-cost repairs or improvements to their home.
- ➔ May try to convince the borrower to sign a power of attorney giving them sole access to the reverse mortgage proceeds.

Typically, HECM borrowers do not realize it was a scam until they hand over the funds and the investment, service, or product is never provided.

If you think you may be a victim of a fraud scheme, report it to the HUD Office of Inspector General by calling the HUD OIG Hotline at 1-800-347-3735, visiting www.hudoig.gov/hotline, or clicking the "REPORT FRAUD" button.

REPORT FRAUD

If you are considering a HECM (reverse mortgage) loan,

Do learn all you can before making a decision. For general information on reverse mortgages, contact FHA Single Family Housing at 1-(888) 466-3487 or go to https://www.hud.gov/program_offices/housing/sfh/hecm/hecmhome.

Do speak (for free) with a U.S. Department of Housing and Urban Development (HUD)-certified housing counselor. To locate a HECM counseling agencies near you, visit https://entp.hud.gov/idapp/html/hecm_agency_look.cfm to search for a counselor by name or location or call (800) 569-4287.

Do work with a reputable lender. Check the listing for the Better Business Bureau at <https://www.bbb.org/>.

Do shop around. Dishonest persons will insist that they are the only lender you should speak to. Find HECM lenders to shop for the best deal at https://www.hud.gov/program_offices/housing/sfh/lender/lenderlist.

Do make sure you'll be able to pay your real estate taxes and hazard insurance on your home every year. You are responsible for both expenses and could lose your home if you do not pay them.

Do attend the closing personally and make sure any proceeds are given to you and not someone else.

Do not rush into a reverse mortgage, especially at someone else's insistence.

Do not plan to purchase an annuity or make other investments with your loan proceeds. Loan officers are prohibited from selling you financial instruments or investments.

Do not give out your Social Security number and other personal information unless you are sure of the identity and reputation of the person asking for it.

Do not respond to unsolicited advertisements.

Do not sign anything that you do not fully understand.