



OIG Fraud Bulletin:

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Beware of Targeted Reverse Mortgage Schemes

Reverse mortgages, also known as Home Equity Conversion Mortgages (HECM), can be an important financial resource through which homeowners aged 62 and older can borrow against the equity in their home. Unfortunately, fraudsters can take advantage of older adults by pressuring or helping them obtain funding for home repairs by applying for a reverse mortgage and then stealing the funds from the reverse mortgage. Fraudsters target the elderly, hoping that they have higher home equity to draw on and are not familiar with reverse mortgages. Fraudsters often prey upon their victim's trust and use high-pressure tactics to coerce elderly victims into obtaining the reverse mortgage which they may not fully understand or want.

Tragic Effects of Reverse Mortgage Fraud

Mark Diamond was an Illinois-contractor that orchestrated a home repair and reverse mortgage loan fraud scheme that targeted financially vulnerable, elderly homeowners by getting them to sign up for repair work that was, in some instances, falsely promised to be funded by the government. In reality, Diamond duped victims into applying for a reverse mortgage on their homes. Other times, the elderly homeowners would be informed they were obtaining a reverse mortgage and Diamond would convince them to sign over the entirety of their loan proceeds but then never completed the promised work. Because of Diamond's schemes and false pretenses, at least 110 victims in vulnerable populations on the West-side of Chicago suffered significant financial and emotional hardship. Diamond pocketed more than \$6 million in victim loan proceeds and, in most cases, never performed substantive repairs. On January 16, 2025, Mark Diamond was sentenced to 205 months in prison and ordered to pay \$2.7 million in restitution.

Fraud By Contractors Scheme Explained

This type of reverse mortgage scam often involves an unsolicited contractor approaching a homeowner about "urgently needed" repairs, who then provides an inflated repair estimate to the homeowner. The fraudster pressures vulnerable seniors into applying for loans without fully explaining the commitment these victims are making. Victims are often told the reverse mortgage is free money that can be used for their home repairs, omitting the loans come with fees, closing costs, and repayment requirements. Unfortunately, the homeowner might not realize they were scammed until well after the fraudster obtains the borrowed funds and the senior's home-equity has been drained.

How Senior Homeowners Can Avoid Reverse Mortgage Scams by Purported Contractors

Fear of fraud should not deter seniors from accessing reverse mortgages as an important financial resource. To protect themselves, seniors can take simple steps to avoid reverse mortgage scams by contractors.

- Be skeptical of unsolicited advertisements, phone calls, emails, or in-person solicitations offering easy money for urgent repairs using your home equity.
- Beware if someone approaches you and offers you home repair services where you do not have to pay for the work directly.
- Do not meet with the contractor alone.
- Make sure you understand everything before signing forms, contracts, or loan documents. Ask questions and have a trusted loved one or attorney review the documents before you sign them.
- Do not sign over or allow anyone to directly take your loan proceeds. Make sure you maintain control of your reverse mortgage funds.
- Don't rush into a reverse mortgage. Talk to trusted experts, including a reverse mortgage counselor and a financial advisor, before obtaining a reverse mortgage. Be aware there may be potentially significant ramifications for other residents of the home should the primary borrowers pass away or no longer reside in the home.
- Consult with a HUD-approved housing counselor. To find a reverse mortgage counselor near you, search the [HECM Counselor Roster](#), [Nationwide HECM Counseling List](#), or call (800) 569-4287. Do not let anyone steer you to a specific reverse mortgage counselor or attempt to conduct the counseling session on your behalf.
- Learn more about reverse mortgages and consumer protections at the [Consumer Financial Protection Bureau website](#).

Report it to HUD OIG

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG) conducts investigations into fraud and misconduct involving HUD funds and programs, including financial crimes involving reverse mortgages.

Contact the HUD OIG Hotline at 1-800-347-3735 or visit, <https://www.hudoig.gov/hotline>. Complaints may be made anonymously, if desired.

