

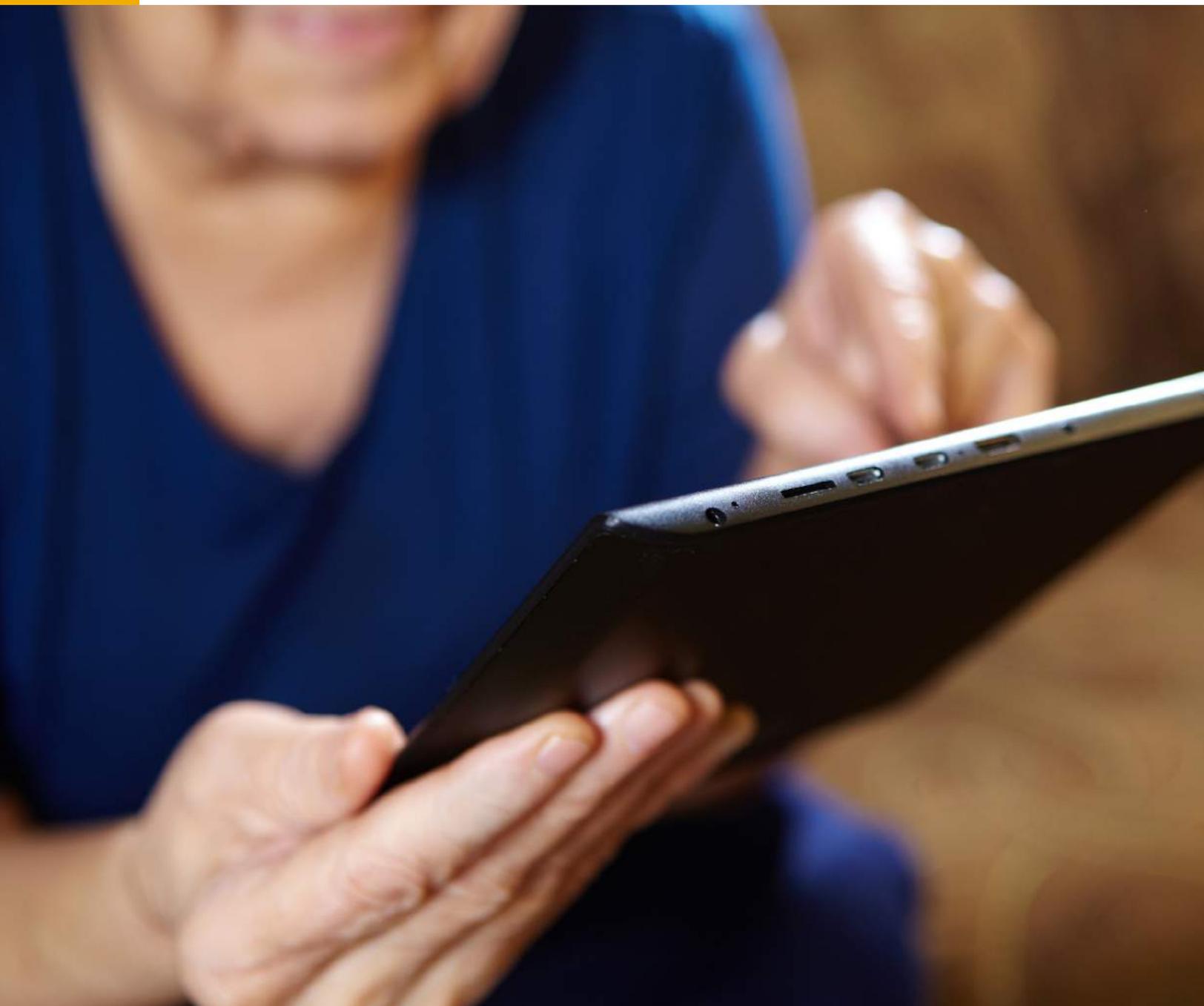
# Reverse Mortgages: *What You Need To Know*



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## Reverse Mortgages: What You Need to Know

Reverse mortgages aren't new these days, but they have undergone significant changes in rules and regulations. While the basics of a reverse mortgage haven't changed, it's important to know the facts about reverse mortgages and how to protect yourself from scams and unscrupulous lenders.





## Reverse Mortgage Facts:

A HECM is a type of reverse mortgage:

- The Federal Housing Administration (FHA) insures HECM reverse mortgages under the U.S. Department of Housing and Urban Development (HUD).

To qualify for a HECM reverse mortgage, you must:

- Be a homeowner;
- Be age 62 or older;
- Have accrued equity in your home;
- Reside in the home as your primary residence; and
- Complete the financial assessment process

Reverse mortgage counseling:

- All potential borrowers must participate in counseling to ensure they understand their options and the requirements of a reverse mortgage.

Your home must meet HUD's requirements for a reverse mortgage:

- Single-family or two-to-four unit property that you own and occupy
- Townhouses, detached homes, and some condominiums will qualify
  - Condominiums must have special approval under the FHA

A reverse mortgage differs from a regular mortgage because you don't make payments; rather, you receive funds based on your home equity. The amount of funds you receive depends on:

- The age of the youngest borrower or eligible non-borrowing spouse;
- The current interest rate;
- The lesser of the appraised value or the HECM FHA mortgage limit of \$679,650.

No payments are required on a reverse mortgage as long as you continue to live in the home.

- You must continue to pay the homeowner's insurance and property taxes and keep your home maintained.

If you no longer need your home or if you pass away, your home can be sold to repay the reverse mortgage, or your heirs can repay the reverse mortgage to keep the house.

- Proceeds from the home's sale can pay off the reverse mortgage.
- Any remaining proceeds after the reverse mortgage is paid will go to your heirs and estate.
- If the reverse mortgage debt is greater than the value of the home, as determined by an FHA appraiser, your heirs and estate are not responsible for repaying more than what the home is worth.





## Avoiding Reverse Mortgage Scams

Unfortunately, some lenders may not have your best interests at heart. If you're in need of additional funds due to lack of income, possible foreclosure or the need for in-home services, some lenders may take advantage of your emotional state and pressure you into a loan. The following are ways you can protect yourself from scams:

- Avoid unsolicited advertising from reverse mortgage lenders. If you are interested in learning about a reverse mortgage, you can find a reputable lender through the HUD's website:
  - [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/hecm/hecm lenders](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecm lenders)
- Make sure your lender is a member of the National Reverse Mortgage Lenders Association (NRMLA).
- Always include your family in discussions and meetings with lenders and in the decision-making process.
- Be cautious about any lender who suggests you can buy another home without a down payment.
- Don't sign any paperwork if you're not sure you understand it.
- Find your own reverse mortgage counselor. You don't have to use a counselor your lender suggests.

# Reverse Mortgage<sup>®</sup>.com

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