Know Your Rights

The Truth in Lending Act allows borrowers who already own their homes at least three days after closing to cancel a deal. This is known as a "right of rescission."

If you believe your lender or broker has violated the law or is engaging in unfair or deceptive practices, contact the Pennsylvania Department of Banking and Securities or the Pennsylvania Office of Attorney General right away.

Additional Resources

Pennsylvania Department of Banking and Securities
1-800-PA-BANKS
www.dobs.state.pa.us

U.S. Department of Housing and Urban Development (HUD)
1-800-569-4287
www.hud.com

Pennsylvania Office of Attorney General
1-800-441-2555
www.attorneygeneral.gov

AARP Foundation
1-888-687-2277
www.aarp.org

Home Equity Conversion Mortgage Resources
1-800-209-8085
www.hecmresources.org

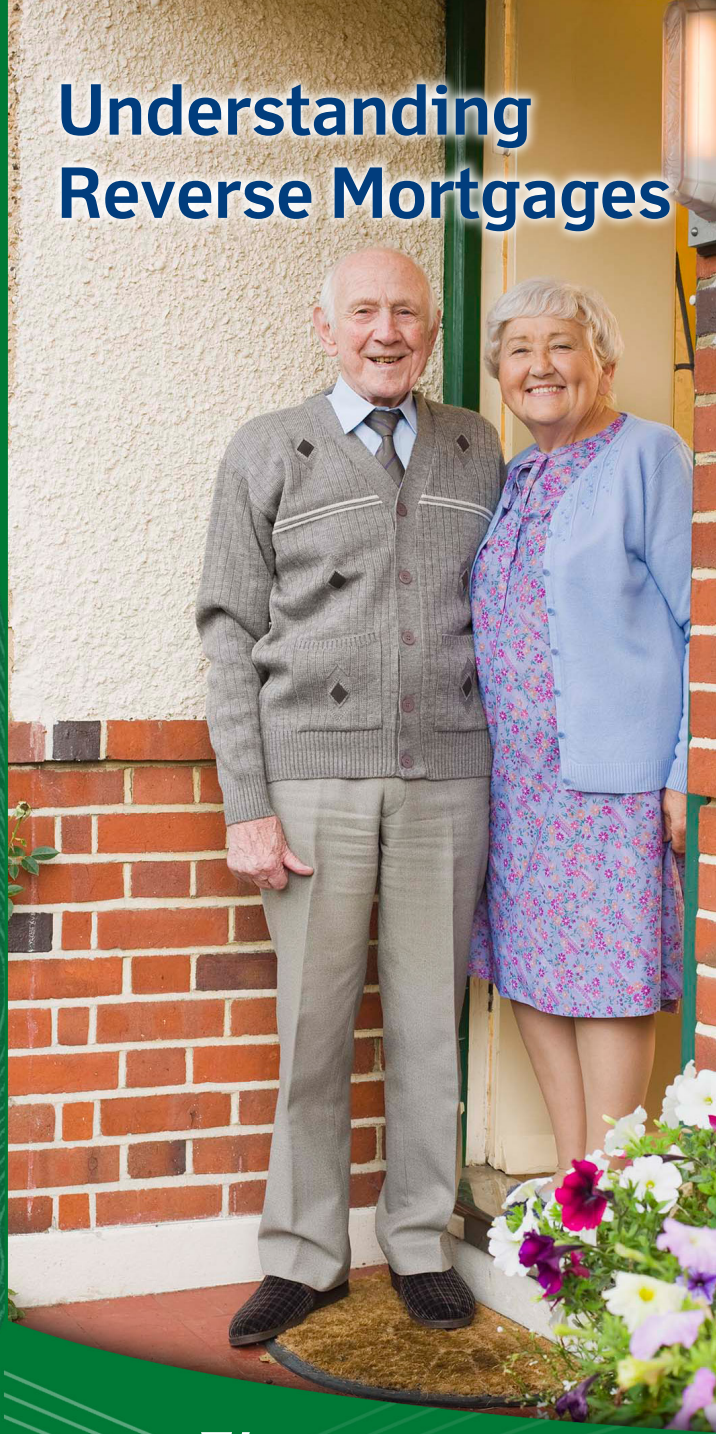
"An investment in knowledge always pays the best interest."

-Ben Franklin

pennsylvania
DEPARTMENT OF BANKING AND SECURITIES

17 North Second Street | Suite 1300
Harrisburg, Pennsylvania 17101
1.800.PA.BANKS (1.800.722.2657)
www.dobs.state.pa.us

Understanding Reverse Mortgages



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> protect > regulate > inform

Is a reverse mortgage the right option for you?

If you are a homeowner age 62 or older looking for money to supplement your retirement income, pay for medical expenses or home improvements, pay off your current mortgage or buy a new home, you may be considering a reverse mortgage.

Unlike a traditional loan in which you make monthly payments to a lender, a reverse mortgage provides you with monthly payments, a lump sum, a line of credit or a combination of these payment methods. The money can be used for any purpose and does not have to be repaid until you sell your home, move or pass away.

Reverse Mortgage Basics

What is a HECM?
The most common reverse mortgage product is called the Home Equity Conversion Mortgage (HECM). The HECM is a federally insured loan that enables you to withdraw some of the equity in your home. The HECM is designed to provide senior citizens with greater financial security and independence. Many seniors use it to supplement Social Security, meet unexpected medical expenses, make home improvements or to meet other needs.

Reverse Mortgage for Purchase
Reverse mortgage for purchase allows you to purchase a home that may better fit your needs.

Choosing a Counselor

Reverse mortgage counseling is available in person or by telephone. You can seek counseling from an agency approved by the U.S. Department of Housing and Urban Development (HUD).

Reverse Mortgage Pros & Cons

PROS

- Allows you to stay in your home with no monthly mortgage payments.
- You can pay off your existing mortgage.
- There are minimal income or credit qualifications.
- You receive payments.
- Proceeds are not taxable.
- You may use a reverse mortgage to buy a new home. You choose how to receive the loan funds: in payments, in a lump sum (with some restrictions) or through a line of credit where you can draw funds as needed.

CONS

- Reverse mortgages cost much more than traditional home loans.
- Anyone listed on your home's title must also be listed as a borrower on the reverse mortgage. If a spouse or other person listed on the title is not yet 62, he or she must be removed from the title (and lose legal rights to the home) in order to proceed with a reverse mortgage. If something happens to the borrower, the non-borrower occupant could lose the house.
- Although reverse mortgage loans will not affect your regular Social Security or Medicare benefits, Medicaid or other public assistance may be affected.
- The terms of a reverse mortgage can be complex and difficult to understand.
- Your heir's inheritance can be affected.
- You still have to pay property taxes and insurance premiums.

Reverse mortgage costs can vary from lender to lender, so it pays to shop around and compare offers.

It is important that you work with an experienced and reputable mortgage originator who is authorized to engage in the mortgage business.

Also Consider

- You may wish to include a trusted family member or friend in your decision to obtain a reverse mortgage.
- Even with a reverse mortgage, you are still responsible for paying property taxes, homeowners insurance and upkeep on your home.
- Because of the high costs, a reverse mortgage is not a good idea if you plan to move or sell your home in a few years.
- You should not use a reverse mortgage to finance an investment or annuity. There is no safe investment that can earn returns high enough to recoup the costs of the loan.
- Be careful when considering sales pitches. You are not required to buy other products to get a reverse mortgage.
- The amount of money you owe on a reverse mortgage grows larger over time. Monthly servicing fees, insurance premiums and interest charges are added to the borrowed amount, and future interest calculations are based on the new total. This causes the amount you owe to grow at an ever-increasing pace as long as the loan is outstanding.