

You Must Receive Government-Approved Counseling

In order to receive a Home Equity Conversion Mortgage (HECM), the most common type of reverse mortgage loan, you must receive counseling from a HUD-approved reverse mortgage counseling agency. However, you can talk to a reverse mortgage counselor even while you're still considering taking out a reverse mortgage loan.

Questions to ask your counselor:

- How is a reverse mortgage loan different from a traditional mortgage?
- What are the upfront costs and fees in taking out a reverse mortgage loan?
- What will be the ongoing costs and fees if I have a reverse mortgage loan?
- How will a reverse mortgage loan affect my spouse, or others living with me?
- What happens if I want to sell my home once I have a reverse mortgage loan?
- What happens to my home when I pass away or have to move to another location?
- How do I receive the money from my loan proceeds? Would it be better to take out the money as a line of credit, in monthly installments, or in a lump sum?
- If I already have a mortgage on my house, how is it affected by a reverse mortgage?

Does reverse mortgage counseling cost me anything? There is an upfront fee for this service, which is typically paid at the time of counseling. Payment of the counseling fee may be delayed for those who are facing hardships such as poverty, foreclosure, disability, bankruptcy or receiving respite or hospice care.

Report Possible Fraud on a Reverse Mortgage

If you suspect a scam, or that someone involved in the transaction may be breaking the law, let the housing counselor, lender, or loan servicer know. You should then file a complaint with the New Hampshire Banking Department, New Hampshire Attorney General's office or the Consumer Financial Protection Bureau.

NH Banking Department: (603) 271-3561

NH AG consumer protection hotline: 1-888-468-4454

Consumer Financial Protection Bureau hotline:
1-855-411-2372

**US Dept. of Housing and Urban Development
HECM Program:** 1-800-225-5342

Federal Trade Commission: 1-877-382-4357

AARP Foundation: 1-888-OUR-AARP (888-687-2277)

Your Right to Cancel

If you have the right to cancel or rescind the loan you will be provided with a notice of "Right to Rescind" during closing. The notice will explain how to cancel the loan. Canceling the loan must be completed within three days from closing. Check with your lender for further information.

Information provided by the Federal Trade Commission and Consumer Financial Protection Bureau. For a more comprehensive look at Reverse Mortgages please visit our website at www.nh.gov/banking. Front cover photo by Scott Webb. Interior photo by Trinity Nguyen, available on Unsplash.com.



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Informative Guide to Reverse Mortgages



What is a Reverse Mortgage?

A reverse mortgage is a type of loan for seniors aged 62 and over. Reverse mortgage loans allow homeowners to convert their home equity to eliminate monthly mortgage payments to a lender. Depending on the equity in your home you may be eligible to receive money from the lender.

What are the different types of Reverse Mortgages?

Proprietary reverse mortgages: These are private loans that are backed by the companies that develop them. If you own a higher-valued home, you may get a bigger loan advance from a proprietary reverse mortgage. If your home has a higher appraised value and you have a small mortgage, you may qualify for more funds. Depending on the value of your home, this product may be a more appropriate reverse mortgage option.

Federally insured reverse mortgages: Also known as Home Equity Conversion Mortgages (HECM) are federally insured reverse mortgages and are backed by the U. S. Dept. of Housing and Urban Development. Before applying for a HECM, you must meet with a counselor from an independent government-approved housing counseling agency. The counselor is required to explain the loan's costs and financial implications as well as possible alternatives to a HECM.

What are my other options?

You should investigate all borrowing and housing options before deciding on a reverse mortgage, such as refinancing, taking out a home equity loan, or even downsizing to a smaller home.

What should I know about Reverse Mortgages?

A reverse mortgage is a loan in which you borrow against the equity in your home while you keep the title to your home. The money you get usually is not taxable, and generally will not affect your Social Security or Medicare benefits. When the last surviving borrower passes, sells the home, or no longer lives in the home, the loan must be repaid.

There are fees and other costs: Reverse mortgage lenders generally charge an origination fee, other closing costs and servicing fees over the life of the mortgage.

You owe more over time: The balance on your loan increases each day the loan is outstanding. This includes daily interest, disbursements, and any associated fees.

Interest rates may change over time: Most reverse mortgages have variable rates which are tied to a financial index and change with the market. This means the interest rate tied to your loan may change on a monthly basis.

You have to pay other costs related to your home. Because you keep the title, you are responsible for property taxes, insurance, utilities, repairs, maintenance, and other expenses.

What happens to your spouse? With Home Equity Conversion Mortgages (HECM) loans, if you signed for the loan and your spouse did not, in some situations, your spouse may continue to live in the home after you pass provided that they continue to meet the obligations of the reverse mortgage loan.

Shopping for a Reverse Mortgage

Some things to consider:

Do you want a reverse mortgage to pay for home repairs or property taxes? If so, find out if you qualify for any low-cost single purpose loans in your area.

Find the nearest agency on aging at eldercare.acl.gov or call 1-800-677-1116. Ask about "loan or grant programs for home repairs or improvements," "property tax assistance" and how to apply.

Compare fees and costs. When you are shopping around for lenders be sure to compare loan programs and products as well as the upfront costs and service fees associated with each.

Understand total costs and loan repayment. Ask a counselor or lender to explain the Total Annual Loan Cost (TALC). They show the projected annual average cost of a reverse mortgage, including all the itemized costs.

And, no matter what type of reverse mortgage you are considering, understand all the reasons why your loan might have to be repaid before you were planning on it.

