

Reverse Mortgage Danger Signals

By Frank J. Kautz II

As the popularity of reverse mortgages grows, so to does the misuse of reverse mortgages grow, be on the lookout for these danger signals:

1. You are not getting counseling from a HUD approved housing counseling agency.
2. Counseling is either done just before or at the closing or you are not given the chance to ask questions.
3. Anyone is discouraging you from talking with family, friends, or the counselor regarding the loan, the loan's terms, or what you intend to do with the money.
4. You are being pressured to use equity in your home to buy something with the proceeds that you do not necessarily need or may not want.
5. The lender is either not licensed or does not have a product approved by either HUD and/or your state.
6. You are asked for any money upon applying for the loan or to pay for any fee outside of closing or is not listed on the HUD1 form used by the closing attorney.
7. You are told that providing any money, either up front or to be paid outside of closing, to any party will speed up processing of the reverse mortgage.
8. You are offered a discount to sign by a certain date. (Please note, there are occasionally programs offered by various banks and mortgage companies, however you should check with their home office to make sure it is a valid program and find out exactly when it ends. Occasionally, you can get an extension of that offer for a short time.)
9. Insurance premiums and other loan costs are not explained clearly to you or to your satisfaction.
10. You have signed a contract or agreement with an estate planning service or firm that requires or purports to require, that you obtain a reverse mortgage to use their services; particularly if they are going to invest the money from the reverse mortgage.
11. You are being pressured to make an immediate decision by anyone for any reason other than protecting your home from a foreclosure sale or other similar emergency.

12. Anyone (children, grandchildren, relatives, friends, etc.) is pressuring you to get a loan so that *they* can use either all or some of the money from the loan. Even if they promise to pay the money back, or even sign a promissory note, using a reverse mortgage to make such a loan may well deprive you of the means to help yourself. You must be sure of your own security first and foremost.

Please note, you may always contact the counselor at any time to discuss any or all of these issues privately. The counselor is not here to make judgments for you or to pass judgments upon what you intend to do, the counselor is here to give you the information so that you may make an informed decision on what you want to do. Ultimately the final choice, like the responsibility, is yours and yours alone.