You have a reverse mortgage:

Know your rights and responsibilities

Consumer Financial Protection Bureau

About this guide

Introduction

This guide is for reverse mortgage borrowers.

It provides information on:

- Your reverse mortgage loan requirements
- How to pay off your reverse mortgage loan
- How moving out of your home or dying affects your reverse mortgage loan
- What it means to default on your loan and where to find help
- What your heirs may need to know

Alert

Most reverse mortgages today are Home Equity Conversion Mortgages (HECMs), which are federally insured by the U.S. Department of Housing and Urban Development's (HUD) Federal Housing Administration (FHA). This guide covers typical features and requirements for HECM reverse mortgage loans. Non-HECM reverse mortgage loans may have different requirements and features.

- At the back of this guide is a glossary with key reverse mortgage terms and a list of organizations that provide help to reverse mortgage borrowers.
- In the guide, the term "you" refers to you, the borrower, and any other co-borrowers on the reverse mortgage loan.

Your reverse mortgage basics

Unlike a traditional mortgage, a reverse mortgage loan is repaid when the borrowers no longer live in the home. Because interest and fees are added to the loan balance each month, the amount you owe goes up—not down—over time. As your loan balance increases, your home equity decreases.

Your reverse mortgage responsibilities

Although you do not make monthly mortgage payments with a reverse mortgage, there are three main requirements you must meet:

1. Your home must be your principal (meaning primary) residence
2. You must pay your property charges, like property taxes and homeowners insurance on-time
3. You must keep your home in good condition

Warning

Failure to meet these requirements may lead to default or foreclosure.

Requirement 1: Your home must be your principal residence

Your home must be your principal residence, meaning it must be where you spend the majority of the year. You can only have one principal residence at a time. As Table 1 shows, with a reverse mortgage you can only be away from your home for a certain period of time.

TABLE 1: HOW LONG YOU CAN BE AWAY FROM YOUR HOME WITH A REVERSE MORTGAGE

Length of time away	Effects on your reverse mortgage
You are away for more than two months and there is no co-borrower living in the home	Notify your lender or servicer so that your lender knows you continue to occupy the home as your principal residence.
You are away for *more than* 6 months for non-medical reasons and there is no co-borrower living in the home	▪ Your home is no longer your principal residence and your loan must be paid back or satisfied through selling the property or deed-in-lieu of foreclosure. ▪ Anyone living with you will have to move out unless they are able to pay back the loan.
You are away for more than 12 consecutive months in a healthcare facility such as hospital, rehabilitation center, nursing home, or assisted living facility and there is no co-borrower living in the home	▪ Your home is no longer your principal residence and your loan must be paid back or satisfied through selling the property or deed-in-lieu of foreclosure. ▪ Anyone living with you will have to move out unless they are able to pay back the loan.
There is a co-borrower in the home and you permanently move for any reason	The co-borrower may continue to live in the home and receive loan payments, so long as they continue to fulfill the reverse mortgage loan requirements.

I was asked to certify that I occupy my home. What is this? What if I forgot to respond?

Your lender or servicer will require you to certify each year that your home is your principal residence. Usually this is done through a postcard or other notice sent by mail at the same time each year. If your spouse is designated as an "Eligible Non-Borrowing Spouse" in the loan documents, you will also need to certify that you are still married and that your spouse lives in the home as their principal residence. To be an "Eligible Non-Borrowing Spouse" means that your spouse is not a co-borrower, but qualifies under HUD's rules to stay in the home after the borrower dies.

It is important that your annual occupancy certification is signed and returned immediately. Failure to do so may lead to default or foreclosure.

Requirement 2: You must pay your property charges on-time

Property charges are fees the borrower must pay under the reverse mortgage loan, which can include:

- Property taxes and homeowners insurance
- Flood insurance premiums
- Ground rents, condominium fees, planned unit development fees, or homeowners' association fees
- Any other special assessments

Paying your property charges

- **For loans made before April 27, 2015:** the borrower could have requested at the time the loan documents were signed, for the lender or servicer to pay the property taxes and homeowners insurance from the reverse mortgage loan funds, but was not required to do so. Generally, borrowers need to budget each year to make sure the taxes and insurance are paid on-time.
- **For loans made after April 27, 2015:** lenders evaluate your ability to pay future property taxes and homeowners insurance when making the loan. As shown in Table 2, your lender may require you to set aside loan proceeds to pay future property taxes and homeowners insurance.

Warning

The money set aside to pay for your property taxes and homeowners insurance will not cover other charges like condominium fees, homeowners' association fees, and ground rents. You are solely responsible for paying these other property charges.

TABLE 2: PAYING PROPERTY CHARGES FOR LOANS AFTER APRIL 27, 2015

Lender's evaluation	Who pays the property taxes & homeowners insurance
If your lender determined that you had enough money to pay future property taxes and homeowners insurance	You can choose to: ▪ Pay your property charges directly, or ▪ Have your servicer pay your charges by using money from your reverse mortgage funds.
If your lender determined that you need to "set aside" a portion of your loan proceeds as a reserve to pay your property taxes and homeowners insurance	Your lender will choose to: ▪ Pay your property taxes and homeowners insurance directly from the reserve, or ▪ Send you the money so that you can make these payments.

- If you are unsure if loan money was set aside, check your monthly account statement or contact your lender or servicer.
- If the reserve can no longer cover your property taxes or homeowners insurance, your lender will tell you.

Warning

Unpaid property charges could put your reverse mortgage loan in default. If you miss a payment or know that you will miss a payment, contact your lender or servicer immediately. They may pay your property charges by using money from your monthly loan pay out or, if you have one, your line of credit. If there is not enough money to cover the missed charges, your lender or servicer may advance the funds and you will be required to pay them back.

Managing your property taxes

Here are some ways you can manage your property taxes.

- You may be eligible to lower your tax payments if your state offers a tax relief program for older homeowners. If your state has a senior property tax exemption, you may need to apply to receive the benefit. Many state programs require you to apply shortly after the tax bill is issued. To learn more, contact your local tax collector.
- It is important to tell your lender or servicer if you are paying your property taxes in installments. You do not want them to mistakenly believe that you missed a payment.
- If your lender wrongly determines that your loan is in default for unpaid property taxes, contact your lender or servicer immediately. Be ready to show proof that you have paid your property taxes.

Failure to pay property taxes

If your loan falls into default due to unpaid property charges, immediately talk to your lender or servicer. You can ask for help from a HUD-certified housing counseling agency or an attorney.

After you default you may be able to rehabilitate the loan through a repayment plan or an “at-risk extension.” To qualify for an at-risk extension, you must be at least 80 years old and experiencing critical circumstances, such as: a long-term disability, terminal illness, or a unique need to stay in the property. You may request to renew the at-risk extension every year with proof of your need.

Requirement 3: You must keep your home in good condition

When you applied for your reverse mortgage loan, your lender evaluated whether your home met HUD's property requirements.

Now that you have the reverse mortgage loan, you must keep your home in good condition. Your lender or servicer may inspect your home's condition if they give you notice and specify the purpose of the inspection. They also may tell you to make repairs.

How long do I have to make required repairs?

You generally have 60 days to start repairs from the day your lender or servicer notifies you. Failure to do so could lead to default or foreclosure.

What if I cannot afford to make required repairs?

Reach out to your local Area Agency on Aging (AAA) to find assistance programs that may be able to help you pay for repairs. To find the nearest AAA, call (800) 677-1116 or visit eldercare.acl.gov.

Warning

If you need to hire a contractor to perform repairs on your house, you may want to:

- Explore and compare your options. Get estimates from several contractors on the costs of repairs.
- Ask people you trust for referrals.
- Check if a contractor is licensed through your state's contractors' licensing board.
- Have a lawyer review the contract of work.
- Read and understand the contract before you sign it. Make sure written contracts match any verbal promises made.
- Beware of contractors going door-to-door. Do not feel pressured into making a decision right away.

If you cannot meet the loan requirements

Default or foreclosure notices

If you receive a default or foreclosure notice, immediately contact your servicer to learn why. Unless steps are taken to fix the default, you may lose your home to foreclosure. Seek help from an attorney or a HUD-approved default housing counseling agency. Both can explain what options you have to prevent foreclosure.

Natural disasters

After a natural disaster, you may experience damage to your home, unexpected expenses, or a sudden loss of income. All these things may make it difficult for you to meet your reverse mortgage loan obligations. To find help, read the *Reverse mortgage borrowers guide to natural disasters* at, cfpb.gov/prepare.

Paying back your loan

Unless there is a co-borrower living in the home, you must typically repay the loan when you no longer live in the home. You may need to pay it back sooner if you fail to meet the obligations of the loan.

Selling your house

If you decide to sell your home while you have a reverse mortgage loan, you will have to pay back the money borrowed, plus interest and fees. As shown in Table 3, the amount you receive from the sale of your home will determine how the loan is paid back.

TABLE 3: HOW YOUR REVERSE MORTGAGE IS PAID IF YOU SELL YOUR HOME

You sell your home for at least the loan balance	▪ The loan is fully paid back. ▪ You get to keep whatever money is left after paying back the loan.
You sell your home for at least the appraised market value	▪ The money from the sale pays off the outstanding loan balance. ▪ Your mortgage insurance will pay any remaining balance if the sale does not cover the amount owed.
Your reverse mortgage loan is in default and you have received a notice that the loan is "due and payable"	▪ You may sell your home for 95 percent of its appraised value or the amount owed on the loan, whichever is less. ▪ The money from the sale will go towards paying the outstanding loan balance. ▪ Your mortgage insurance will pay any remaining balance if the sale does not cover the loan balance.

What happens to your loan after you die

Unless there is a co-borrower living in the home, when, you die the loan has to be paid back. As described below, when it must be paid back is complicated.

If you have a co-borrower on your loan

After a borrower dies, any co-borrower on the loan may continue to receive the benefits of the reverse mortgage loan and may stay in the home as long as they continue to fulfill the loan obligations.

Tip

It is a good idea to check with your lender or servicer to make sure your loan records are correct. Confirm your co-borrower is listed on the loan.

If a "Non-Borrowing Spouse" lives in your home

Your Non-Borrowing Spouse may stay in the home if they pay off the loan. They may also be able to stay in the home without paying off the loan depending on when the loan was taken out and whether they qualify under HUD's rules. The process may be difficult. Your Non-Borrowing Spouse may want to get help from an attorney or a HUD-certified housing counseling agency.

If your loan case number was assigned on or <u>after</u> August 4, 2014

Your lender or servicer will determine if your Non-Borrowing Spouse qualifies to stay in the home after you die (called a "deferral period"). To qualify your Non-Borrowing Spouse must:

- Establish their ownership interest to the property or a legal right to remain in the home for life. This must be provided to the lender or servicer within 90 days of the borrower's death.
- Have been married to the borrower at the time the loan documents were signed up until the borrower's death. For couples who were unable to be legally married based on gender at the time the reverse mortgage loan was made, they must show that they were legally married by the time of the borrower's death.
- Have been identified in the loan documents as a Non-Borrowing Spouse.
- Have lived, and continue to live, in the home as their principal residence.
- Continue to meet the loan requirements and make sure the loan does not become due and payable for any other reason.

If your loan case number was assigned <u>before</u> August 4, 2014

After the borrower dies, the lender or servicer has two options. They can:

- Foreclose on the home, or
- Enter a process called "Mortgage Optional Election (MOE) Assignment" that allows the Non-Borrowing Spouse to stay in the home.

Foreclosure

If your lender or servicer decides to foreclose on the home or finds that the Non-Borrowing Spouse does not qualify for MOE Assignment, they must begin foreclosure proceedings within six months of the borrower's death. If the Non-Borrowing spouse is actively trying to sell the property or satisfy the debt in some other way, they may request a delay with the foreclosure for up to 180 days.

> **Tip**
>
> If the Non-Borrowing Spouse receives a foreclosure notice, they should take immediate action and not ignore it.

MOE Assignment

If the lender or servicer decides not to foreclose and to enter the MOE Assignment process, to qualify your Non-Borrowing Spouse must:

- Have been married to the borrower at the time the loan documents were signed up until the borrower's death. For couples who were unable to be legally married based on gender at the time the reverse mortgage loan was taken out, they must show that they were legally married by the time of the borrower's death.
- Have lived since the beginning of the loan, and continue to live, in the home as their principal residence.
- Provide their Social Security number or Tax Identification Number.
- Agree that they will no longer receive any payments from the reverse mortgage loan.
- Continue to meet all loan obligations, including paying property taxes and homeowners insurance.
- Ensure that the reverse mortgage loan does not become due and payable for any other reason.

Tip

If you live with a Non-Borrowing Spouse, consider:

- Gathering all documents that support your spouse's claim of being an Eligible Non-Borrowing Spouse. These documents may include a marriage certificate and property deed.
- Seeking legal advice if you believe your spouse should be on the loan. If your spouse is not on the loan, talk to a lawyer about transferring the property to your spouse when you die.

If you have heirs

If your heirs want to keep your home after you and your spouse die, they will have to repay either the full loan balance or 95 percent of the home's appraised value – whichever is less.

Talk to your heirs now. Prepare for any non-borrowing family members living in the home by deciding what they will do after you die.

How to get help

If you're having trouble with your reverse mortgage, here's what you can do to get help:

- As a borrower you have a right to request information from or dispute any errors with your lender or servicer. To learn more got to, consumerfinance.gov/askcfpb/1855.
- Consult an attorney. If you need help finding an attorney, visit your local or state bar. You may qualify for free legal services. To find a legal aid office, go to lsc.gov.
- Talk to a housing counselor. HUD-approved housing counseling agencies offer free or low-cost expert assistance. You can find a housing counseling agency by going to hud.gov or calling (800) 569-4287.
- Reach out to Area Agencies on Aging (AAA) to find state and local assistance programs that may be able to help you pay for property charges or needed home repairs. To find the nearest AAA, call (800) 677-1116 or visit eldercare.acl.gov.
- Submit a complaint with the CFPB if you are having problems with your lender or servicer by going to consumerfinance.gov or by calling toll-free (855) 411-CFPB (2372).
- Find more information on reverse mortgage issues at consumerfinance.gov/reversemortgage.

Glossary

DEFINED TERM	DEFINITION
Appraisal	A written document that shows an opinion of how much a property is worth. It describes what makes the property valuable and may show how it compares to other properties in the neighborhood.
Co-borrower	A person, usually your spouse or partner, who also signs the reverse mortgage loan note and who is equally responsible for fulfilling all the loan obligations and who also receives the benefits from the loan.
Deed-in-lieu of foreclosure	An arrangement where you voluntarily turn over ownership of your home to the lender to avoid the foreclosure process.
Default	The failure to meet the loan requirements included in the reverse mortgage. For example, the requirements of a Home Equity Conversion Mortgages (HECM) loan include occupying the home as the principal residence, keeping the home in good repair, and paying the property charges on-time. A borrower's failure to fulfil these obligations would cause the loan to default and may lead to foreclosure.
Eligible Non-Borrowing Spouse	A borrower's spouse who is not a co-borrower, but qualifies under HUD's rules to stay in the home after the borrower has died.
Equity	The amount your property is currently worth, less the amount owed on any existing mortgages on your property.

DEFINED TERM	DEFINITION
Federal Housing Administration (FHA)	The federal agency that insures HECMs, the most common type of reverse mortgage loan. FHA is a part of the U.S. Department of Housing and Urban Development (HUD).
Foreclosure	The process where the lender takes back property because the borrower no longer fulfills the obligations of the reverse mortgage loan. Foreclosure processes differ by state.
Home Equity Conversion Mortgage (HECM)	The most common type of reverse mortgage today. One way they differ from private reverse mortgages (sometimes called “proprietary” reverse mortgages) is that HECMs are federally insured by the FHA.
Homeowners Insurance	Pays for losses and damage to your property if something unexpected happens, like a fire or burglary. Standard homeowners insurance doesn’t cover damage from earthquakes or floods, but it may be possible to add this coverage. Homeowners insurance is also sometimes referred to as "hazard insurance." Borrowers with a HECM loan are required to maintain homeowners insurance in addition to, the mortgage insurance also required with a reverse mortgage loan.
HUD-Approved Housing Counseling Agency	An organization with housing counselors that are approved by HUD. Borrowers taking out a HECM reverse mortgage loan must receive counseling from a HUD-approved reverse mortgage counseling agency before receiving the loan.

DEFINED TERM	DEFINITION
Lender	The financial institution that loaned the borrower money.
Loss Mitigation	The steps mortgage servicers take to work with a borrower to avoid foreclosure. Loss mitigation refers to a servicer's responsibility to reduce or "mitigate" the loss to the investor that can come from a foreclosure. Certain loss mitigation options may help you stay in your home. Other options may help you leave your home without going through foreclosure. Loss mitigation options for reverse mortgage borrowers may include deed-in-lieu of foreclosure or a repayment plan.
Maximum Claim Amount	The lesser of the appraised value of the home, the sales price of the home being purchased, or the maximum limit HUD will insure. The maximum claim amount is one factor used to calculate how much a homeowner can borrow with a reverse mortgage loan.
Mortgage Insurance Premium	An initial and annual amount charged by the lender and paid to the Federal Housing Administration. Mortgage insurance is in addition to the homeowners insurance the borrower must maintain.
Origination Fees	A one-time upfront fee that the lender charges the borrower for making the loan. These fees are limited by the maximum claim amount and may not exceed $6,000.

DEFINED TERM	DEFINITION
Principal Limit	The amount of money the borrower can borrow with a reverse mortgage loan. The principal limit for a HECM is calculated using the age of the youngest borrower or Eligible Non-Borrowing Spouse, the interest rate on the loan, and the maximum claim amount. The principal limit generally will increase each month, possibly making additional funds available for borrowers with adjustable rate HECMs, but not fixed-rate HECMs. In general, loans with older borrowers, higher-priced homes, and lower interest rates will have higher principal limits than loans with younger borrowers, lower-priced homes, and higher interest rates.
Principal Residence	The dwelling where the borrower, and if applicable, the Non-Borrowing Spouse, maintains their permanent home and where they typically spend the majority of the year. A borrower may only have one principal residence at a time. If the borrower moves someplace else for a majority of the year, or to a nursing or assisted living facility for more than 12 consecutive months, the borrower must pay back the reverse mortgage loan.
Proprietary Reverse Mortgage	Reverse mortgage loans that are not insured by the federal government and are typically designed for borrowers with higher home values than those insured by HUD.

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