



ElderCare Q&A

Reverse Mortgage Website

Q: Does a reverse mortgage make sense for seniors?

A: It depends. A reverse mortgage (RM) is a special kind of loan, usually for people age 62 and older, that pays a homeowner loan proceeds from the equity in their home. People have used a RM loan to pay property taxes, pay for home repairs, fuel bills---or just for living expenses. Unlike a traditional home loan or second mortgage loan, no repayment is required until the borrower no longer uses the home as a principal residence.

But reverse mortgages are complex financial transactions, and can impact the accumulated equity in your home. You should only deal with a lender who has an approved RM program. There are currently 20 such approved RM programs in Massachusetts. Under state law, it is the responsibility of the lender offering a reverse mortgage to make sure that a potential borrower first has completed a counseling program approved by the Executive Office of Elder Affairs in accordance with Massachusetts Law. There are 6 approved counseling programs in the Commonwealth.

When you go for a counseling session, take a family member or friend with you to help take notes. Ask about other possible loans besides an RM, and bring your loan document for review. At the end of your counseling session, you will get a certificate to show you completed the counseling.

There are 4 types of loan fees: 1) origination fees, which covers a lender's operating expenses 2) mortgage premium insurance, which guarantees that if your loan company goes out of business, the government will give you continued access to your loan funds, and that you will never owe more than the value of your home when the loan must be repaid 3) closing costs, like a credit report fee, title insurance, recording fee, etc. 4) service fees to cover the projected costs of servicing your account.

In Massachusetts, you have the right to a 7 day "cooling off" period that gives you a week to reconsider a loan you have signed. You can also cancel a deal within 3 business days after you close a RM loan. Regulators warn that consumers should avoid loans that involve using the proceeds of the loan to purchase annuities, long term care insurance, or other investments. Don't transfer the title to your home out of your name in order to get a loan. Don't worry about pre-payment penalties---they are illegal. A RM loan can have estate and tax planning consequences and may affect your eligibility for government benefits, so talk to your lawyer before accepting a loan. Your loan may require you to pay taxes, insurance and maintain the upkeep on your house---or default on the loan and face foreclosure.

For a list of approved RM loan programs and counselors, and to learn more about your rights, go to www.mass.gov/reversemortgage. Find out if a reverse mortgage is really right for you. To file a complaint about a reverse mortgage call 617-956-1501