

WHEN IT COMES TO REVERSE MORTGAGES DO YOUR HOMEWORK!

Be informed before deciding whether a reverse mortgage is right for you.

Also, make sure you fully understand the many specific events that could trigger a default before taking out a reverse mortgage loan.

For a complete guide to understanding reverse mortgages visit Fannie Mae at:

www.fanniemae.com or call 800-2FANNIE (800-232-6643) to order a copy in the mail.

Other useful resources include AARP (www.aarp.org), HUD (www.hud.gov), and the CFPB (www.consumerfinance.gov)

Be sure to have an attorney, accountant or not-for-profit housing counselor review the terms of the reverse mortgage with you before you make a decision. A list of approved not-for-profit housing counselors is available on the DFS website.

THE LENDER'S RESPONSIBILITIES

BE AWARE!

You are entitled to a description of all of the features of the reverse mortgage being offered including, but not necessarily limited to, the following:

- The interest rate and the manner in which it will be calculated
- The fees that you must pay
- Any events that could terminate the reverse mortgage, or trigger a default—such as death or moving
- A description of any applicable appreciation or equity participation features
- A toll-free telephone number and the name of a person who can answer any of your questions, comments or complaints

Consult with your lender to make sure you fully understand their cancellation procedure.

If you decide to take out a reverse mortgage and then change your mind, the lender must provide you with three business days to cancel your loan agreement.



Department of
Financial Services



What You Need to Know About...

This guide is provided for informational purposes only and does not constitute legal advice. Consult an attorney before you make a decision.

CONTACT DFS

We can help with complaints and investigate suspected elder financial exploitation.

Call us at (800) 342-3736
or file a complaint
via our website www.dfs.ny.gov

REVERSE MORTGAGES

WHAT IS IT?

A reverse mortgage is a special type of loan that allows you to borrow against the equity in your home (defined as the value of your home less the balance of any mortgage or other outstanding liens) – while retaining ownership of your home.

The amount of the mortgage will depend on your age, the value of the home and current interest rates, but should not be more than 80% of what the anticipated value of the home will be at loan maturity. The proceeds of the loan may be paid to you either:

- In cash or as a monthly cash advance;
- As a credit line account; or
- In a combination of both a lump sum payment and monthly payments.

You will be charged interest on the amount of money you borrow through a reverse mortgage. Reverse mortgages are rising-debt loans; meaning that interest is charged and added to the principal loan balance each month. Since the interest is not paid on a current basis, the total amount you owe increases with time as the interest compounds.

You can, however, never owe more than the value of your home on a reverse mortgage. And, because reverse mortgages are non-recourse loans, the lender cannot look to your other assets to pay the outstanding balance on your loan if you default.

Who Can Qualify for a Reverse Mortgage?

You must own your home, use it as your primary residence and be at least 60 years old (or, in some cases, at least 70 with low income). In most cases, your home must be a single-family, a 1-to-4 unit building, or a federally-approved condominium or development.

THE REVERSE MORTGAGE

Is a Reverse Mortgage Right for You?

When considering a reverse mortgage, ask yourself the following questions:

- Do you wish to remain in your home?
- Are you healthy enough to stay in your home?
- Will selling or renting your home and purchasing a smaller, less expensive home provide you with more income?
- Will your children, or other heirs, want to inherit the home?
- Will a reverse mortgage affect your eligibility for entitlement programs?

What Does a Reverse Mortgage Cost?

Before closing on a reverse mortgage, a lender may only charge an application fee. Other fees, such as a loan origination fee, document preparation fee and ‘recording’ costs, appraisal or survey costs, title and tax search, attorney’s fees, credit report, etc., may be financed as part of the loan.

During the life of the loan, you may be responsible for paying:

- The cost of mortgage insurance
- Maintenance costs on the home
- Appraisal costs for refinancing the loan
- Real estate taxes and property insurance
- A monthly servicing fee

A lender will charge interest on the loan. Interest may only be charged on funds you actually borrow and not on the entire balance.

CONSIDER THE FOLLOWING:

What Will I Owe?

The total amount you will owe at the end of the loan will include the total amount borrowed (including money used to pay fees or costs) and all of the interest accrued.

If you sell the house, you can pay back the loan with money from the sale. If the balance of the loan is less than the value of the home at the end of the loan period or the money from the sale, the lender is paid the amount owed and you or your heirs keep the rest.

In the event of death, heirs to the home can pay back the loan or take out a new mortgage on the home.

When Will the Loan Need to Be Repaid?

The loan may be for a certain number of years, known as a “term” loan, or for an undetermined length of time, known as a “tenure” loan.

You may trigger a default and have to repay the loan early if the lender determines a change has been made that affects the security of the loan. Events that can trigger default include, but are not limited to, renting out part of the home, adding a new owner to the title, changing the zoning classification, moving out of the home, failing to maintain the home, failing to pay taxes or taking out new debt against the home.

At the end of the loan, there may be additional fees, like termination or maturity fees, broker’s fees, advertising costs, moving and/or storage costs, legal fees, etc. These may not be charged as a flat percentage fee.

HOW IS IT REPAID?

REMEMBER: IF YOU DO NOT FULFILL YOUR LOAN OBLIGATIONS, THE LENDER MAY HAVE THE RIGHT TO FORECLOSE ON THE HOME AND TAKE IT FROM YOU!