

# Reverse Mortgages

LEGAL HELPLINES TIP SHEET • February 2019

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## The Basics

Reverse mortgages are available for people who are age 62 or older. They allow the homeowner to convert the equity in their home into cash without selling the home or making monthly mortgage payments. Often, reverse mortgages are sought when an older adult needs extra funds to supplement their income or to make home repairs. Most reverse mortgages are FHA-insured (Home Equity Conversion Mortgages, or HECM) and some are privately-backed. Generally, when the borrower passes away, the loan will be called due and the home may be foreclosed upon if the loan is not paid.

A reverse mortgage does not have mortgage payments, but borrowers are required to keep up with their property-related charges, including taxes and insurance. The borrower must also reside in the property as their principal residence and maintain the property. Failure to do these things could result in the loan being called due, followed by foreclosure. Additionally, a spouse who is not listed as a borrower on the loan (a non-borrower spouse) may face problems when the borrower spouse dies. NCLER offers a basics [webcast training](#) and [chapter summary](#) that provide more information on these issues.

## Identifying Reverse Mortgage Issues

Legal helplines may receive calls about reverse mortgages when a borrower is facing potential foreclosure, a surviving spouse is facing eviction, or when borrowers don't understand what their lender or servicer is telling them. Helpline advocates may see these issues presented in various ways, including:

- Caller has received a document from their servicer asking them to confirm they are residing in the property (may occur annually to confirm occupancy)
- Caller is having difficulty getting information from their lender or mortgage servicer
- Caller now has to cure default if property taxes and/or insurance were delinquent and the lender may have chosen to pay them or enter into a repayment plan, if available
- Caller is unsure whether they should obtain a reverse mortgage
- Caller has received notice of foreclosure or a letter warning of potential foreclosure

## Key Questions to Ask & Information to Gather

- If the caller is in foreclosure or if the loan has been called due, try to determine whether they have a traditional mortgage or a reverse mortgage option, as remedies and loss mitigation will be different.
- If the caller is in foreclosure, ask specific questions about documents they have received, or check the public records or court websites to determine what stage they are in. The caller may need immediate help if the foreclosure action is far along.
- Is the caller the borrower? A spouse of the borrower?
- Is the caller living in the home? Some older adults who have been residing in rehabilitation or skilled nursing facilities may have missed their annual occupancy certification.

## Referrals

- For callers who are having trouble working with their lender or servicer or want to know whether they should get a reverse mortgage, refer them to a [HUD Housing Counselor](#), or they can file a complaint with the [Consumer Financial Protection Bureau](#).
- For callers who are struggling with keeping up the property or paying property taxes or insurance, refer to local programs that provide applications for tax exemptions or funds for repairs.
- For callers who are in foreclosure, refer them to a local civil legal aid organization that handles foreclosure issues. You can locate state resources on the [HUD website](#).

## Ethical Issues

Legal helplines may receive calls from family members or heirs who are surprised to learn that their loved one has a reverse mortgage. If the caller is calling because the borrower has passed away, helplines may be able to provide some guidance to help the caller retain or remain in the home. However, if the family member or heir is calling to get more information about a reverse mortgage that still has a living borrower with capacity, this could be a third-party caller situation. Helplines, especially senior helplines, should have protocols in place for handling these calls.

## Additional Resources

- [NCLER Chapter Summary: Reverse Mortgage Servicing & Foreclosure: Emerging Issues](#)
- [HUD: How the HECM Program Works](#)
- [HUD Mortgagee Letters: HECM Loans](#)
- [Consumer Financial Protection Bureau: Reverse Mortgage Discussion Guide](#)
- [National Consumer Law Center: Assisting Homeowners with Reverse Mortgages after a Natural Disaster](#)

Please contact [ConsultNCLER@acl.hhs.gov](mailto:ConsultNCLER@acl.hhs.gov) for free case consultation assistance. Sign up for our email list and access more resources at [NCLER.acl.gov](https://www.ncler.acl.gov).

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## Helpline Decision Guide: Follow-Up on Reverse Mortgage Issues

1. Is the caller behind on their property taxes?
2. Is the caller behind on their homeowners insurance?
3. Has the caller been living somewhere other than their home for an extended period of time?
4. Is the caller's house in disrepair
5. Is the caller a surviving non-borrower spouse on a reverse mortgage?

**Yes to any of the above**

**No to all of the above**

Has the caller reviewed any paperwork from their lender, servicer, or a lawyer about the mortgage?

Move on to screen for other legal issues and/or provide **CFPB guide**.

**YES**

**NO**

Does any of the paperwork mention that the loan is being "called due" or "due in full" or foreclosure?

Provide client with information on what could happen next if issues remain unresolved. Provide referral for budget counseling & tax exemption help.

**YES**

**NO**

Connect caller with an attorney who can help them with the foreclosure and/or non-borrower spouse issue.

Check the public records to confirm there is no pending foreclosure & refer to **HUD Housing Counselor** for foreclosure avoidance help.

*This Decision Guide is a sample guide only, and it is intended to be customized by individual programs to include their specific office procedures, local resources, and information before use.*