Most reverse mortgages are insured by the Federal Housing Administration (FHA) under its Home Equity Conversion Mortgage (HECM) program. There are only a very small number of reverse mortgage loans made by private lenders outside of the HECM program. You are only eligible for a HECM (government insured) reverse mortgage on your home if you meet all of these requirements:

- You are at least 62 years old.
- The home is worth significantly more than any outstanding mortgages on the home.
- The home must be your principal residence, where you reside the majority of the year.
- You are not delinquent on any federal student loans or other federal debt.
- You have the financial resources to make timely payments on property taxes, insurance, homeowner association fees, and the like.
- You have a counseling session with an independent HUD-approved counselor.

The home itself must be one of the following:

- A single family home;
- A manufactured home meeting FHA requirements;
- A HUD-approved condominium project;
- A two-to-four unit home and you occupy one of the units.

Even if you meet all these requirements, a reverse mortgage may not be right for you—depending on your financial situation, it may be the wrong choice. If after reading this chapter you are still interested in a reverse mortgage, the first step is to discuss it with a reverse mortgage counselor approved by the U.S. Department of Housing and Urban Development (HUD). This counseling is required before moving forward with a loan application with any lender participating in the HECM program. Find a counselor by calling 800-569-4287 or by going to [https://entp.hud.gov/idapp/html/hecm_agency_look.cfm][1].

Counseling is required, but it is also important to help you understand the reverse mortgage product. A counselor will help you weigh other financial and loan options, the costs and benefits of a reverse mortgage, its impact on your eligibility for federal and state benefits, and how the reverse mortgage affects others in the household and your heirs. If you do not fully explore all these issues with the HUD-approved counselor, you should seek alternative counseling sources, because the reverse mortgage decision can be very complex and will have a significant effect on your future.

You should be highly skeptical of any reverse mortgage offered you that is not in the HECM program or that does not involve a HUD-approved counselor. In fact, California and a few other states require counseling prior to obtaining any reverse mortgage.

You also should be very wary of any reverse mortgage lender that is aggressively pitching to you through advertising or over the telephone. Lenders sometimes push reverse mortgages on borrowers without accurately describing all of the downsides of the loan. After talking to a HUD-approved counselor, reach out to a lender participating in the HECM program. A list of such lenders is available on [www.hud.gov/program_offices/housing/sfh/lender/lenderlist][2].

Source: National Consumer Law Center, Surviving Debt [50th NCLC Anniversary Edition], updated at www.nclc.org/library

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