A reverse mortgage lender may foreclose on your home if you do not keep up with property taxes, homeowner’s insurance, homeowner association fees, and the like. If you fail to pay these charges, the lender may pay them for you and, if you can’t repay the lender in a relatively short time period, may foreclose. At the time you take out the reverse mortgage, if the lender determines that you do not have the ability or willingness to pay these property charges, they may require you to set aside funds from the available reverse mortgage’s principal limit to pay these expenses during your expected loan term.

You must keep your home well maintained or risk foreclosure. Your lender will tell you, at the time you take out the reverse mortgage, which repairs you must make. The lender may even set aside some of your borrowing limit to ensure the repairs are made. The lender may then foreclose if you do not make the required repairs. You also later may have to keep the home up to standard if the home deteriorates over time or is later damaged. Where the needed repairs are caused by a fire or other covered incident, your homeowner’s insurance should help pay.

Your loan comes due and the lender may foreclose if you are absent from your home for the majority of the year. If your absence is health-related, you can be absent for a full year before foreclosure can begin. For example, the loan will become due if you move to another home or permanently move to a nursing home.

In a foreclosure, the lender will sell your home. If it is sold for less than your current loan balance, you will not owe the difference. If it is sold for more than the loan balance, you or your heirs will get the surplus funds.

Source: National Consumer Law Center, Surviving Debt [50th NCLC Anniversary Edition], updated at www.nclec.org/library
Source URL: https://library.nclc.org/sd/0604