



## Understanding Reverse Mortgages

(NAPS)—A little forethought can go a long way toward helping you save money and perhaps your home. As reverse mortgages become more popular, homeowners should avoid taking on too much risk, overburdening themselves with debt and falling for misleading marketing, say experts at the U.S. Office of the Comptroller for the Currency (OCC).

“Reverse mortgages can provide real benefits, but they have some of the same characteristics as the riskiest types of mortgages,” Comptroller of the Currency John Dugan said. “That means consumers and regulators have to be on alert to emerging risks so these loans are made in a way that is prudent for both homeowners and lenders.”

Reverse mortgages provide income or credit to homeowners by letting them tap their home equity. The Federal Housing Administration insures 90 percent of reverse mortgages, known as Home Equity Conversion Mortgages, or HECMs. These mortgages don’t require repayment until the homeowner dies, permanently moves or fails to maintain the property or pay property tax. Remaining equity belongs to the borrower or the borrower’s heirs. While these loans make sense in some cases, consumers should clearly understand their responsibilities and risks.

A few associated risks include:

- **Deceptive and misleading marketing.** The complexity of these products and incentives for some brokers can put the emphasis on making the loan rather than ensuring it’s appropriate for the borrower.



**A reverse mortgage can help you get money from your house but check the offer carefully before signing on.**

- **Conditioning availability on other financial products.**

Because reverse mortgages often involve large lump sum payments, borrowers can be vulnerable to coercive sales of expensive annuities or long-term care insurance.

- **High fees.** Borrowers may also overlook substantial fees.

- **Failing to pay taxes and insurance** and failing to maintain the property can result in foreclosure, so it’s important to be sure these responsibilities are covered.

Among national banks, the OCC uses its authority to reduce such risks, but more work with other regulators is necessary to set and apply standards for all reverse mortgages.

You can learn more about national banks at [HelpWithMyBank.gov](http://HelpWithMyBank.gov). To talk with a specialist from the OCC Customer Assistance Group, in English or Spanish, Monday through Friday, 7:00 a.m. to 7:00 p.m. CST, call (800) 613-6743.

### Did You Know?

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