

# SeniorALERT



ATTORNEY GENERAL OF TEXAS  
GREG ABBOTT

## REVERSE MORTGAGE OFFERS

SENIOR CITIZENS over the age of 62 whose homes carry little or no mortgage debt may receive offers for a specialized loan called a reverse mortgage. Under these arrangements, eligible homeowners are promised an upfront cash payout with no obligation to repay the loan. Even better, the sales pitch goes, seniors can live out the rest of their lives in their own homes – with no monthly mortgage – and have extra money to spend enjoying their retirement years.

So what's the catch? Although seniors are generally not required to repay these loans, once they pass away or permanently leave their homes, that property essentially belongs to the lender. Under a typical arrangement, the lender places a lien on the property in exchange for the cash it provides to the borrower. This allows the lender to recoup the loan, fees and interest, by selling the home after it is vacated.

Reverse mortgages are attractive to many seniors, particularly those who are not concerned with leaving behind property for their relatives or friends to inherit. But homeowners who are considering a reverse mortgage need to know that these agreements significantly reduce or eliminate the inheritance that would have otherwise gone to their surviving loved ones. As with all matters involving their homes, seniors should carefully consider the fine print before accepting the terms of a reverse mortgage.

Seniors who are interested in a reverse mortgage should contact the U. S. Department of Housing and Urban Development (HUD) at (800) 569-4287 for a list of local lenders that are approved by the Federal Housing Administration. HUD can also supply the name of a government-approved debt counseling agency, which can provide useful information to homeowners considering a reverse mortgage.

Senior citizens may consider hiring an attorney to help them review reverse mortgage documents. Seniors can contact the Office of the Attorney General at (800) 252-8011 or visit our Web site at [www.oag.state.tx.us](http://www.oag.state.tx.us) to find out about legal clinics and other free legal help.

Even when dealing with legitimate lenders, seniors should carefully consider more than one reverse mortgage offer, because terms of varying offers can differ significantly. Homeowners should NEVER sign any paperwork that affects their home unless they clearly understand the impact of what they are signing. Seniors should walk away from any lender who tries to pressure them into making a quick, spur-of-the-moment decision.

Finally, seniors interested in a reverse mortgage should be very skeptical of “mortgage consultants.” Some unscrupulous operators will insist that a home needs costly renovations in order for the homeowner to qualify for a loan. Seniors should be particularly wary of consultants who insist on using a specific contractor. If the consultant is unable to help the homeowner obtain a loan, then the homeowner could be left with a sizeable remodeling bill. Refusal to pay the bill could cost the homeowner his or her home. If repairs or renovations are necessary, consumers should deal directly with lenders and registered builders or contractors to compare their offers and recommendations. Consumers who believe they have encountered a reverse mortgage scam should immediately contact the Office of the Attorney General.

Sincerely,

A handwritten signature in black ink that reads "Greg Abbott". The signature is written in a cursive, flowing style.

Greg Abbott  
Attorney General of Texas

**WRITE TO: Greg Abbott, Office of the Attorney General  
PO Box 12548, Austin, TX 78711-2548  
800-252-8011 • [www.oag.state.tx.us](http://www.oag.state.tx.us)**