Updated 4/1/2017

FACT SHEET

Reverse Mortgage Suitability: Points to Consider

A Reverse Mortgage is a type of loan for homeowners 62 years of age or older who have considerable equity in their houses. Typically, borrowers receive periodic payments, e.g., monthly, and/or have access to a line of credit and make no more mortgage payments during their lifetimes. The loan is paid off when the loan holder enters a long term care facility or dies and the house is sold.

The suitability of purchasing a reverse mortgage should be evaluated in the context of the totality of the particular borrower's circumstances, goals, and needs. Before purchasing a reverse mortgage, consider the following points:

1. Whether the homeowner intends to reside in the property on a long-term basis.
2. The borrower's physical health and probability for living independently into the foreseeable future.
3. Explore alternatives to a reverse mortgage that would serve a similar purpose. These alternatives may include, but are not limited to, low-cost housing rehabilitation grants and public loans, property tax postponement, or government aid programs.
4. Whether the homeowner is planning to use the proceeds of the reverse mortgage loan to purchase financial products, including, but not limited to, annuities or investments, that might not be appropriate for the homeowner. (Refer to Fact Sheet – Annuities: Questions for Senior Consumers.)
5. If the borrower intends to use funds obtained from a reverse mortgage to purchase investments, determine whether the cost of obtaining the reverse mortgage outweighs the anticipated earnings from the investment.
6. If the homeowner will use the proceeds of the reverse mortgage loan to purchase a long-term care insurance product, evaluate if that product is appropriate for the homeowner.
7. The borrower's ability to pay for long-term care services, whether institutional or community-based, once the borrower exhausts his or her equity in the home.
8. The borrower's marital status and the impact of the reverse mortgage on the future economic security of a spouse or dependent.
9. The borrower's intent to pass the residence to an heir and the impact of the reverse mortgage on his or her ability to accomplish this transfer.
10. Whether a resident of the property who is not the homeowner would be displaced at the maturity of the loan, against the homeowner's wishes, because he or she will not be able to pay off the reverse mortgage loan.

11. With regard to removal of names from the property title:
    a. Was another homeowner removed from title prior to or during underwriting?
    b. Was the removed homeowner under the age of 62?
    c. Was the removed homeowner significantly younger than the remaining homeowner?
    d. Is there any reason to believe that the removed homeowner will outlive the remaining homeowner?
    e. Was the removed homeowner fully appraised of the legal ramifications of being removed from title, including, but not limited to, the consequences upon the death of the remaining homeowner or upon a divorce settlement.
12. Whether the homeowner is fully aware of all loan costs and the method by which costs will be paid.
13. How a reverse mortgage will affect the borrower's eligibility for receiving government benefits, including, but not limited to MediCal benefits.

Questions? Call CANHR at (800) 474-1116 or visit CANHR's website at www.canhr.org