What is a Reverse Mortgage?

A Home Equity Conversion Mortgage (HECM), often referred to as a “Reverse Mortgage,” is a special type of home loan from the Federal Housing Administration (FHA). A Reverse Mortgage is a safe mortgage product that can help seniors (who are 62 years of age or older and own their home) gain access to money for medical or living expenses by withdrawing some of the equity in your home.

Home Equity” is the value of your home minus the amount you owe.

Generally, the proceeds from the reverse mortgage loan are paid in equal monthly payments to the homeowner, but homeowners can also opt to receive payments as a line of credit. Many seniors use the funds for unexpected medical expenses, to supplement their Social Security income, or make home improvements.

Unlike a traditional mortgage, you do not have to repay a reverse mortgage until you no longer own the home or no longer use it as your primary residence. With a reverse mortgage loan, the amount the homeowner owes to the lender goes up–not down–over time. This is because interest and fees are added to the loan balance each month. As your loan balance increases, your home equity decreases unless there are significant shifts in the real estate market outside of the homeowner’s control. Also, the homeowners or their heirs will eventually have to pay back the loan, usually by selling the home.

What Can Lead to a Reverse Mortgage Foreclosure?

If you, as the homeowner, permanently move out of the home, your Reverse Mortgage lender may require you to repay the loan because your primary place of residence has changed. This can happen even though you still own the property. The lender can require repayment if:

- you move out of the home and let someone else live there or rent it out.
- you temporarily move out for over 12 consecutive months, for example to move into a nursing home or rehabilitation center due to health reasons.
- you sell or transfer ownership of the property.
- the homeowner dies and the property is not the principal residence of at least one surviving borrower or non-borrowing spouse.
- you do not meet the contractual requirements of the mortgage, such as:
  - staying current on property taxes.
  - having homeowners’ insurance and additional flood insurance on the property; and
  - maintaining the home in a reasonable, safe condition.
- you do not pay taxes and insurance on the property and the lender pays on your behalf but you do not repay the lender.
  - The lender may require a set-aside (escrow) account if there is a chance you may not be able to keep up with the tax and insurance bills.

What to do if you Receive Reverse Mortgage Foreclosure?

1. Determine the reason for the Foreclosure.

Carefully read the reverse mortgage foreclosure complaint to understand why the lender is foreclosing on your home. A lender may file a reverse mortgage foreclosure case under the following circumstances:

- Death of the borrower;
- Failure to pay or keep homeowners’ insurance;
- Failure to pay property taxes; or
- Failure to occupy the property for 12 consecutive months.

2. Respond to the Foreclosure Complaint

A reverse mortgage foreclosure summons and complaint may be personally delivered to you by the sheriff or a certified process server. This is called “service of process.”

You must file a response with the court within **20 days** of receiving the summons and complaint. If you do not file a response with the court on time, the lender may automatically win the lawsuit. In your response, admit or deny each paragraph of the complaint and raise any defenses.

3. After the Foreclosure

If the lender wins the reverse mortgage foreclosure, a foreclosure sale date will be set. After the sale occurs you will be required to leave the home.

Additional Resources

- Consumer Financial Protection Bureau
- HUD Home Equity Conversion Mortgage for Seniors