

Don't be misled by reverse mortgage advertising

You might see enticing images of youthful retirees on the golf course or enjoying other leisure activities in a reverse mortgage advertisement.

A reverse mortgage is a special type of loan that allows homeowners 62 and older to borrow against the accrued equity in their homes. The loan must be paid back when the borrower dies, moves, or no longer lives in the home.

Ads for reverse mortgages are found on television, radio, in print, and on the internet, and many ads feature celebrity spokespeople discussing the benefits of reverse mortgages without mentioning risks. We looked closely at many ads and found incomplete and inaccurate statements used to describe the loans. In addition, most of the important loan requirements were often buried in fine print if they were even mentioned at all. These advertisements may leave older homeowners with the false impression that reverse mortgage loans are a risk-free solution to financial gaps in retirement.

In conducting our study, we met with older homeowners in Washington DC, Chicago, and Los Angeles to learn about their thoughts and impressions of reverse mortgage ads. After looking at a variety of ads, many homeowners we spoke to didn't realize reverse mortgage loans need



to be repaid. Instead, some thought they could access their equity interest-free, or that the federal government provided the money as a benefit to seniors. Homeowners told us that the most attractive messages in the ads were “you can live in your home as long as you want,” and that you “still own your home.” Many ads, however, didn't mention that seniors could lose their homes if they don't satisfy the loan requirements, such as paying property taxes or homeowners insurance.

Seniors said the ads made reverse mortgages look like a good way to travel and enjoy retirement while they were still young and active. Yet Americans are living longer, more active lives than ever before. Reverse mortgage borrowers can outlive their loan funds by borrowing without careful planning.

Reverse mortgage ads don't always tell the whole story, so consider these facts when you see advertisements:

1. A reverse mortgage is a home loan, not a government benefit.

Reverse mortgages have fees and compounding interest that must be repaid, just like other home loans. With most reverse mortgages, federal insurance guarantees that borrowers will receive their loan funds if their lender has financial difficulty or if their loan balance exceeds the value of their home. However, borrowers pay for this insurance and it's not a government benefit.

2. You can lose your home with a reverse mortgage.

When a reverse mortgage ad says you'll retain ownership of your home, or that you can live there as long as you want to, don't take these messages at face value. These statements are true only if you continue to meet all requirements of the reverse mortgage. If you fall behind on your property taxes or homeowners insurance, are absent from your home for longer than six months, or fail to satisfy other requirements, you can trigger a loan default. If you don't take care of the default in time, the lender can foreclose on your home. Sometimes these requirements are listed in fine print, but not always. If you have a question about reverse mortgage requirements, visit portal.hud.gov to contact a HUD-approved housing counselor near you.

3. Without a good plan, you could outlive your loan money.

After seeing a reverse mortgage ad, you might think that a reverse mortgage guarantees your financial security no matter how long you live. Americans are

living longer today than they were just a generation ago. Make sure you have a financial plan in place that accounts for a long life. That way if you need to tap your home equity, you won't do it too early and risk running out of retirement resources later in life.

Questions about reverse mortgages?

You can check out consumerfinance.gov/askcfpb and search for your question or click the button that says "mortgages."

If you have a problem with your reverse mortgage

If you're having a problem with your reverse mortgage or having problems getting through to your mortgage servicer, you can submit a complaint to us.



Online

consumerfinance.gov/complaint



By phone

Toll free: (855) 411-CFPB (2372)
TTY/TDD : (855) 729-CFPB (2372)
8 a.m. to 8 p.m. Eastern Time,
Monday-Friday



By fax

(855) 237-2392



By mail

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