

FTC Business Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

Housing Counselors: How to Help People Avoid Reverse Mortgage Missteps

As a housing counselor, you may be seeing an increasing number of older clients considering a reverse mortgage as a way to stay in their homes and remain financially independent.

The counseling sessions you must conduct with clients who are interested in federally-insured Home Equity Conversion Mortgages (HECMs) and some proprietary mortgages from private lenders offer a great opportunity to help spot fraud. While you're explaining reverse mortgage costs and benefits, as well as the financial implications and alternatives, the Federal Trade Commission (FTC), the nation's consumer protection agency, asks that you look and listen for false and misleading claims related to reverse mortgage offers, and report them to the appropriate authorities.

Some unscrupulous lenders may try to mislead people about the key features of a reverse mortgage. Others may claim they're part of the federal government when they're not, or give the false impression that the reverse mortgage is an entitlement rather than a loan the client must repay. Some companies may pressure homeowners to use the proceeds from a reverse mortgage to buy financial products, like annuities, that may be unnecessary or unsuitable for them. Still other companies may try to persuade homeowners that a reverse mortgage would be an easy way to pay for home repairs or a vacation when a different type of loan may be a better option.

How to Spot Deceptive Claims and Practices

Here's how to recognize questionable claims and practices related to reverse mortgages. When you're with your clients — especially when you are reviewing any reverse mortgage estimates they've gotten from a lender:

1. Focus on the key features of the loan, like the interest rate, fees, loan payments, and total cost. If you see a sizable discrepancy between the terms the lender or broker offers and the terms typically offered, consider it a sign of possible deception.
2. Look at whether the claims being made are broad and unqualified. Some claims may be false or misleading if a marketer does not clearly and prominently indicate that the claims apply only to certain people or to certain products in limited circumstances. For example, it might be deceptive if a marketer makes claims like "reverse mortgages provide income for life," "consumers can never lose their homes," or "borrowers can never outlive their reverse mortgage," but doesn't disclose that payments may stop and consumers may lose their homes if they move out of the house or violate another condition of the mortgage, like failing to pay property taxes or insurance.
3. Consider the names, seals, logos, and other representations of the lenders and brokers. Some may look and sound like those of government agencies. The m.o. here is to create the

impression that the lender or broker is part of — or affiliated with — a government program rather than an organization offering a loan that the client must pay back.

4. Ask your clients if they have felt pressured in any way to use a reverse mortgage to buy products or services like long-term care insurance, annuities, investments, home repair, or travel. Some sellers may try to convince a consumer to get a reverse mortgage just to buy the products they're selling.

Where to Report Possible Violations

If you think a client may be the victim of a deception, confirm with him or her that you have their permission to report it to the appropriate law enforcement authority.

For complaints about deception in connection with HECM loans, contact:

U. S. Department of Housing and Urban Development

451 7th Street, SW

Washington, DC 20410

1-800-CALL-FHA (1-800-225-5342) toll-free

www.hud.gov/offices/hsg/sfh/hecm/rmtopten.cfm

For complaints about deception in connection with non-HECM loans, contact:

Federal Trade Commission

Consumer Response Center

600 Pennsylvania Avenue, NW

Washington, DC 20580

1-877-FTC-HELP (1-877-382-4357) toll-free

www.ftc.gov

For complaints about deceptive practices in connection with reverse mortgage loans in your state, contact:

Your state Attorney General's office (www.naag.org) or

Your state bank regulatory agency (Conference of State Bank Supervisors at www.csbs.org — click on State Banking Commissioners).

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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1-877-FTC-HELP	FOR THE CONSUMER