

Predatory Lending and Reverse Mortgages: *Protecting Your Future*

Johna Willis, CVLAP LAWM Attorney

Legal Aid of Western Michigan

450 Morris Ave, Ste 104, Muskegon, MI 49440

Phone: 231 726 4887



THIS IS NOT LEGAL ADVICE

Nothing in this presentation is a substitute for private consultation with an attorney regarding a legal problem.



Presentation Agenda:

- Why Reverse Mortgages Exist
- How Reverse Mortgages Work
- Downfalls of Reverse Mortgages
- SCAMS! and Predatory Lending Behaviors
- Other Equity Options
- How to Apply for Legal Help



Why do Reverse Mortgages Exist?

For many, just keeping pace with the cost of daily living is a challenge.

- Americans are Living Longer than Ever
- Home Ownership Reduces Community Cost
- Less Income, Less Savings, More Debt

Reverse Mortgages were created to help older Americans age comfortably in their homes.



What is a Reverse Mortgage?

- Allows older homeowners to borrow against the equity in home with no monthly loan payments
- Must occupy the home and continue to pay:
 - Property charges (taxes)
 - Homeowner's insurance
 - Homeowner's association fees (HOA)
- Interest and fees are added to the principal balance
- Loan is repaid when the borrower no longer lives in the home



Types of Reverse Mortgages

There are three main types of Reverse Mortgages:

- Home Equity conversion Mortgage (HECM) loans which are insured by the Federal Housing Administration (FHA)
- Proprietary Reverse Mortgage loans that are not insured (private loan)
- Single-use reverse mortgage loans offered by state and local governments that are not insured (but still public)



HUD Counseling Agencies

HUD Certified Housing Counselors offer free housing information, education and referrals in a confidential setting:

- GreenPath Financial Wellness: Phone # 877-324-4129
- Oakland County Community Neighborhood and Housing Development: Phone # 248 858 0493



How a Reverse Mortgage is Satisfied

- Three day (3) right to cancel
- Pay in Full / Refinance
- Default and Foreclosure
 - Once a triggering event occurs, the total amount of money the lender has disbursed to the borrower, plus interest and fees accrued during the life of the loan, must be repaid.
 - Lender must allow borrower to cure default to prevent or stop foreclosure, if possible
- The borrower/estate can sell
 - Sell the property for the loan balance or 95% of the home's appraised value, whichever is less. In most cases, there is enough to satisfy the loan and keep remaining balance.
- Sign the Title Over



CVLAP | CRIME VICTIMS
LEGAL ASSISTANCE
PROJECT

Downfalls of Reverse Mortgages

Across the Country, Reverse Mortgage borrowers are losing their homes. Problems with oversight and servicing of loans have resulted in older homeowners facing unnecessary foreclosures.

- Costs & Fees
- Affect Income-Based Benefit Programs
- No Interest Tax Deduction
- Borrower permanently moves or passes away before other residents
- Family members / heirs do not understand terms of the loan
- Borrower falls behind in property charges
- Issues with selling the home

Watch out for SCAMS!

Reverse Mortgages themselves are not a scam, but some unscrupulous companies use them to exploit consumers.

- Contractor scams
- The Department of Veteran Affairs (VA)
- Foreclosure or Mortgage Rescue Scams
- Equity Theft Schemes and Predatory Behaviors
- Financial Exploitation by a Trusted Individual

They all have the same basic ingredients: the request is urgent and if it sounds too good to be true, it is.

Other Options

Consider all options before securing a reverse mortgage

- Loan Modifications
- Financial Counseling
 - www.EconomicCheckUp.org
- Financial Assistance Programs
- Avoid Financial Exploitation, Scams and Frauds
- Avoid Predatory Lenders



HOW DO I REQUEST LEGAL HELP?

1. Contact CALL

Phone: 888-783-8190

Counsel and Advocacy Law line

2. Contact Local Office

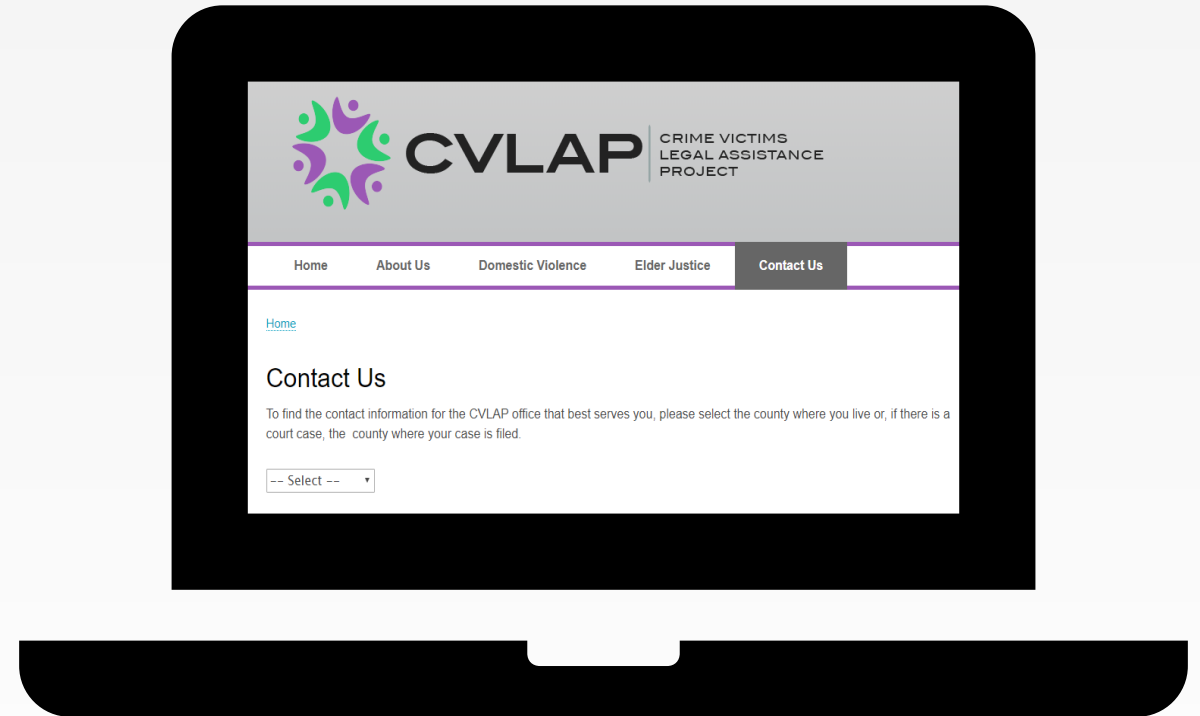
450 Morris Ave, Ste 104, Muskegon, MI
49440; Phone: 231 726 4887

3. Do a Direct Referral

Fill out application in office or make
appointment with intake attorney

4. Do an Online Intake

Michiganlegalhelp.org
“find a lawyer”



Thank You!

Questions?

Ideas?

Thoughts?

