



What is a Reverse Mortgage?

A reverse mortgage is a loan that allows older homeowners to borrow money against the equity in their home. With a reverse mortgage, the lender disburses payments to the homeowner. Depending on the payout structure, the interest rate can be adjustable or fixed. There are closing costs and fees associated with reverse mortgages.

To qualify for a reverse mortgage, the primary borrower must be at least 62 years old, the home must be their primary residence, and most or all of a traditional mortgage must be paid off.

Home Equity Conversion Mortgage (HECM) loans are reverse mortgage loans originated by mortgage lenders and insured by the Federal Housing Administration in the U.S. Department of Housing and Urban Development (HUD). HECM lenders must follow additional rules set by HUD.

Your Protections Under Maryland Law

The Maryland Reverse Mortgage Loans Act requires all reverse mortgage lenders to follow many of the federal rules for HECMs. The HECM rules provide additional protections for borrowers in the event of a default.

Maryland law also requires prospective reverse mortgage borrowers to complete housing counseling before taking out a reverse mortgage loan. A housing counselor is certified by HUD to review the reverse mortgage products available to you and help you understand your obligations and the financial impact if you choose a reverse mortgage. A housing counselor will offer independent advice, separate from your mortgage broker or lender. You may bring a trusted friend or family member to your counseling sessions. After the housing counseling sessions are completed, you will receive a certificate to give to your lender. **Call HUD at 1-800-569-4287 to locate a certified reverse mortgage housing counselor.**

Most mortgage lenders and servicers are required to be licensed by the Commissioner of Financial Regulation and are subject to additional laws and regulations.

When is a Reverse Mortgage Repaid?

Death of Borrower: A reverse mortgage becomes due upon the death of the last surviving borrower. If an eligible non borrowing spouse remains in



About Our Office

The Office of Financial Regulation is the primary regulator for state-chartered financial institutions and state-licensed financial service providers.

The Office's mission is to protect Marylanders through the operation of a modern financial regulatory system that promotes respect for consumers, safety and compliance, fair competition, responsible business innovation, and a strong state economy.

Wes Moore, *Governor*

Aruna Miller, *Lt. Governor*

Portia Wu, *Secretary, Maryland Department of Labor*

Antonio P. Salazar, *Commissioner of Financial Regulation*



Maryland

DEPARTMENT OF LABOR
Office of Financial Regulation

REVERSE MORTGAGES



the home after the borrower's death, he or she must notify the lender and demonstrate that they have a legal interest in the home.

If all borrowers (or an eligible non-borrowing spouse) are deceased and their heirs wish to keep the home, the heirs must pay the loan balance in full. If the borrowers' heirs do not wish to keep the home, they may sell the property to pay off the balance. If the borrowers' heirs do nothing, the lender may foreclose.

Non-Occupancy: For a reverse mortgage to remain in good standing the property must continue to be the principal residence of the borrower. The lender or servicer will send an annual letter to the borrower to certify principal residency. Borrowers need to pay close attention to their mail for this letter and respond as directed to avoid defaulting on the loan.

If a situation arises, such as a medical issue, that forces the borrower to move out of the home for a period of longer than 12 months, the reverse mortgage becomes due. The borrower may choose to sell the home to pay off the loan. If a borrower moves out and takes no further action, the lender may foreclose.

Taxes/Insurance/Maintenance: The borrower remains responsible for payment of property taxes and insurance and for the maintenance of the home. If the borrower does not pay taxes or insurance or allows the property to fall into disrepair, the reverse mortgage will be considered in default and the lender may foreclose if the balance is not paid in full.

The lender may require some of the loan proceeds to be set aside to pay for property charges like taxes and insurance if the borrower's financial situation meets certain criteria. Even if the lender does not require a set aside, the borrower may elect to have a set aside or have the lender pay property charges on their behalf.

Are You Facing Foreclosure on Your Reverse Mortgage?

If you receive notice from your mortgage company that your reverse mortgage is due or in default, contact a housing counselor or attorney as soon as possible. **Call the Maryland Homeowner Assistance hotline at 1-877-462-7555 for a referral to an agency that provides foreclosure-prevention counseling or visit homeownerassistance.maryland.gov.**

Questions & Concerns

If you believe a reverse mortgage lender has violated Maryland law, file a complaint with our Office by visiting www.labor.maryland.gov/finance/consumers.
Call 410-230-6077 or email CSU.Complaints@maryland.gov for assistance.

