



Integrity Bulletin

U.S. Department of Housing and Urban Development

REVERSE MORTGAGE SCHEMES

Summer 2013

While the majority of companies promoting FHA reverse mortgages are safe there are **some mortgage fraudsters out to take your money, your house, or even your identity.** Reading this alert is your best defense.

A reverse mortgage allows borrowers to convert part of the equity in their homes into cash without having to sell their homes. To aid in this process, borrowers must meet with an FHA-approved Reverse Mortgage Lender to discuss program eligibility requirements, financial implications and alternatives to obtaining the mortgage and repaying the loan.

More information on reverse mortgages can be found at:

- *By calling the National Council of Aging at (800) 510-0301.*
- *Or at the following website:*

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/hecmhome

HOW TO PROTECT YOURSELF DO'S

- **Speak with a HUD-certified housing counselor.**

Free counseling is available or at modest cost depending on your income. It is important to ask for a face-to-face interview rather than by telephone. To locate a HECM counselor near you, call (800) 569-4287 or go to <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>

- **Make sure you have money to pay your real estate taxes and hazard insurance on your home every year.**

You are responsible for both expenses and could lose your home if you do not pay them. **This is the biggest cause of foreclosures!**

The U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) is the Department's law enforcement arm and is responsible for investigating complaints of fraud, waste and mismanagement in HUD funded programs.

Where to Report:

Office of Inspector General

Call Toll Free
800-347-3735



- **Work with a reputable lender.**
Check the listings at the **Better Business Bureau** at:
<http://www.bbb.org/>
- **Shop around.**
Scammers will insist that they are the only lender you should speak with. Do comparisons of 2 or 3 offers.

Attend the closing personally and make sure any proceeds are given to you and not someone else.

If you do not understand why you are signing papers talk, with a trusted friend, attorney, of other family members. Let your counselor know if you feel pressured to take out the reverse mortgage.

SCHEMES

Fraudsters use different scams. They will try to sell you on taking a lump sum payout, and use it to pay them for:

- **High Cost or Unneeded Repair Contracts**
- **Reverse Mortgage Counseling Fees**
- **High Profit Insurance Policy**
- **“Can’t Miss” Investments**
- **Finder Fee Annuities From**

“Their” Company

Typically, once the fraudsters get the mortgage proceeds, they disappear, and the service is never provided. Fraudsters also may trick seniors who do not own a home into thinking they can buy one with no down payment using this program.

After the lump sum is paid out, the fraudster disappears with the money, and the senior is left with no cash or equity in the home. They may face eviction if taxes on an over-valued property are not paid.





DON'TS

- **DON'T purchase an annuity or make other investments with your loan proceeds from the lender. Loan officers are prohibited from selling you financial instruments or investments.**
- **DON'T sign up for a reverse mortgage unless there is a real need for the funds that you have identified, and not something a stranger has talked you into getting.**
- **DON'T believe anyone who tells you that you can get a house for free or with no down payment.**
- **DON'T sign a power of attorney to a person you don't know or trust.**
- **DON'T give in to "high pressure" sales tactics. If pressed to sign, just walk away.**

Where to Report Fraud, Waste and Abuse:

For FHA borrowers, report to the HUD Office of Inspector General.

Call toll free: 1-800-347-3735

For non-FHA loans, you may send reports to:

Federal Bureau of Investigation

Phone: 1-800-CALLFBI (225-5324)

Online Tips: [FBI Tips and Public Leads Form](https://tips.fbi.gov/) at <https://tips.fbi.gov/>)

