

Maryland Legal Aid: Who We Are

Maryland Legal Aid is a non-profit law firm dedicated to providing high-quality legal advocacy to protect and advance human rights for Maryland's most vulnerable low-income individuals, families and communities.

What is a Reverse Mortgage?

A reverse mortgage is a type of home loan for homeowners who are 62 years of age or older. A reverse mortgage does not require monthly payments. A reverse mortgage uses your home equity, which is the current market value of your home minus what you still owe on the mortgage. The cash proceeds from a reverse mortgage may be offered as a line of credit that you can use, a lump sum payment, or a monthly payment. The money from a reverse mortgage can be used to pay for living or medical expenses, to pay off the remaining first mortgage, or for any other purpose.

While taking out a reverse mortgage may seem like a good idea, you should make sure it is the right option for you. While reverse mortgage companies often promise a worry-free way to stay in your home as you get older, this may not be true. Before you apply for a reverse mortgage, you should meet with a reverse mortgage housing counselor, in person, if possible.

You should not take out a reverse mortgage if:

- **You feel rushed or pressured to take out a reverse mortgage by someone, or do not understand the loan.** For example, some reverse mortgage sellers promise to complete home repairs, but then they do not complete the repairs. You should talk to a lawyer if that has happened to you. You can also file a complaint with the Maryland Office of the Attorney General (1-888-743-0023), the Consumer Financial Protection Bureau (1-855-411-2372), or the Federal Trade Commission at ftc.gov/complaint.
- **You do not want debt to accumulate on your house.** Interest is the percentage of a loan paid by borrowers to lenders. Over time, the balance on a reverse mortgage increases due to interest. Reverse mortgages are often expensive to initiate, with lots of fees and costs added to the loan. It is important that you understand all the costs associated with your loan.
- **You want to leave your house to your children or other heirs.** If your children or heirs (a person legally entitled to the property after you die) want to keep your home after you die, they must be able to pay the total loan amount or 95% of the fair market value of the home, whichever is less. It is important that you talk to your children or heirs about this so they can prepare. If your spouse dies and he/she had a reverse mortgage and you still want to stay in the home, call your reverse mortgage servicer immediately. This can be a difficult process, so you should contact an attorney for possible legal representation. (continued)



Maryland Legal Aid Offices

Anne Arundel County

229 Hanover Street
Annapolis, MD 21401
(410) 972-2700
(800) 666-8330

Baltimore City

500 E. Lexington Street
Baltimore, MD 21202

Telephone Intake Lines:

(410) 951-7750
(866) MD LAW 4U
(or 866-635-2948)

Business Line:

(410) 951-7777
(800) 999-8904

Baltimore County

215 Washington Avenue
Suite 305
Towson, MD 21204
(410) 427-1800
(877) 878-5920

Lower Eastern Shore

Dorchester, Somerset,
Wicomico, Worcester
201 E. Main Street
Salisbury, MD 21801
(410) 546-5511
(800) 444-4099

Metropolitan Maryland

Howard, Prince George's
8401 Corporate Drive
Suite 200
Landover, MD 20785
(301) 560-2100
(888) 215-5316

Howard County

3451 Court House Drive
2nd Floor
Ellicott City, MD 21043
(410) 480-1057

Midwestern Maryland

Carroll, Frederick, Washington
22 S. Market Street
Suite 11
Frederick, MD 21701
(301) 694-7414
(800) 679-8813

Montgomery County

600 Jefferson Plaza
Suite 430
Rockville, MD 20852
(240) 314-0373
(855) 880-9487

Northeastern Maryland

Cecil, Harford
103 S. Hickory Avenue
Bel Air, MD 21014
(410) 836-8202
(800) 444-9529

Southern Maryland

Calvert, Charles, St. Mary's
15045 Burnt Store Road
P.O. Box 249
Hughesville, MD 20637
(301) 932-6661
(877) 310-1810

Upper Eastern Shore

Caroline, Kent,
Queen Anne's, Talbot
106 N. Washington Street
Suite 101
Easton, MD 21601
(410) 763-9676
(800) 477-2543

Western Maryland

Allegany, Garrett
110 Greene Street
Cumberland, MD 21502
(301) 777-7474
(866) 389-5243

Statewide

Community Lawyering Initiative
(443) 451-2805

Farmworker Program
(800) 444-4099

Foreclosure Legal Assistance Project
(888) 213-3320

Long-Term Care Assistance Project
(866) 635-2948

Maryland Senior Legal Helpline
(866) 635-2948

Veterans' Hotline
(443) 863-4040

TTY Users: Call Maryland Relay, Dial 7-1-1

Visit www.peoples-law.org for self-help legal information and community resources.

For more information visit www.mdlab.org.

Rev 08.2020

Reverse
Mortgages

Homeowners and Reverse Mortgages

Advancing Human Rights and Justice for All in Maryland since 1911



Obtaining a Reverse Mortgage

You should not take out a reverse mortgage if: (continued)

- **You cannot afford your property taxes and homeowner's insurance.** Some reverse mortgages may set aside property taxes and homeowner's insurance, but others do not. If you are currently behind on your mortgage, you will be required to have money set aside for property taxes and homeowner's insurance. If you have a reverse mortgage that does not set these funds aside, and you miss these payments, the reverse mortgage lender may foreclose on your home. You should make sure you pay your homeowner's insurance and property taxes on time. If you cannot afford to pay your property taxes, be sure to apply every year for the Homeowner's Property Tax Credit from the Maryland State Department of Assessments and Taxation.
- **You plan to sell your home or you do not plan to stay in the home.** A reverse mortgage becomes due when the home is sold, or if you move out of your home. If you leave your home for more than a year, the reverse mortgage lender may foreclose on your home.

There are two types of reverse mortgages:

- Federally-insured Home Equity Conversion Mortgage (HECM)
- Private lender reverse mortgage

For a borrower to qualify for a reverse mortgage, a borrower must:

- Be 62 years of age or older;
- Own the property outright or have paid down a considerable amount of the existing mortgage;
- Occupy the property as his/her principal residence;
- Have no delinquencies on any federal debt;
- Participate in a consumer information session presented by a HUD-approved HECM counselor; and
- Be willing to have his/her income, assets, monthly living expenses, and credit history verified.

For a property to qualify for a reverse mortgage, the property must:

- Be a single family home or 2-4 unit home with one unit occupied by the borrower; or
- Be a HUD-approved condominium project; or
- Be a manufactured home that meets FHA requirement; and
- The real estate taxes, hazard and flood insurance premiums on the property may be verified for timely payment history.

Reverse Mortgage Foreclosure

If you have a reverse mortgage, you may still face foreclosure. A reverse mortgage foreclosure happens most often because of missed property tax payments or missed homeowner's insurance premiums. The foreclosure process for a reverse mortgage is the same as for a regular mortgage. For more information about the foreclosure process in Maryland, see MLA's Homeowners and Foreclosure brochure.

Reverse mortgage lenders often offer different modification options. The most common options offered are repayment plans and an at-risk hardship extension. A repayment plan allows a borrower to repay what he/she owes over a period of time, usually for 5 years. An at-risk hardship extension allows borrowers who are 80 years of age or older, with a note from their doctor, to defer the foreclosure annually. Other options you may wish to consider, like bankruptcy, are discussed in MLA's Homeowners and Foreclosure brochure.

Additional Resources

Maryland Legal Aid

Reverse mortgage information and reverse mortgage foreclosure help:
mdlab.org
Phone numbers for local MLA offices can be found on the back of this brochure.

U.S. Department of Housing and Urban Development

Home Equity Conversion Mortgage (HECM) Program:
hud.gov/program_offices/housing/sfh/hecm/hecmhome
1-800-225-5342

Consumer Financial Protection Bureau

Reverse mortgage information:
http://files.consumerfinance.gov/f/201409_cfpb_guide_reverse_mortgage.pdf
1-855-411-2372

AARP Foundation

Reverse Mortgage Education Project:
aarp.org/money/credit-loansdebt/reverse_mortgages/
1-800-209-8085

Maryland HOPE Hotline

Reverse mortgage foreclosure help:
1-877-462-7555

