

July 15, 2016

Ms. Karin Hill
Senior Policy Advisor
The Regulations Division
Office of General Counsel
Department of Housing and Urban Development
451 7th Street SW Room 10276
Washington, DC 20410-0500

Via: www.regulations.gov

RE: Vol. 81 No. 97 Part III Department of Housing and Urban Development
24 CFR Parts 30 and 206 FHA Strengthening the Home Equity Conversion Mortgage Program
Proposed Rule (Docket no. FR-5353-P-01 RIN 2502-A179)

Dear Ms. Hill:

Consumers Union, the advocacy and policy division of Consumer Reports (CU)¹ and California Advocates for Nursing Home Reform (CANHR)² are pleased to submit these comments in response to the Department of Housing and Urban Development (HUD) request for comment on the Federal Housing Authority (FHA) proposed rule to codify several significant changes to the FHA's Home Equity Conversion Mortgage (HECM) program.

We understand that several of the elements of this proposal relate to changes to HECM that were previously issued under the authority granted to HUD in the Housing and Economic Recovery Act of 2008 (HERA), and the Reverse Mortgage Stabilization Act of 2013. While the proposal deals with a broad array of issues related to reverse mortgages, we will focus our comments specifically on the areas that deal with counseling, shared appreciation, and against including utilities as a property charge.

Consumers Union and CANHR have for many years been involved in advocating for consumer protections for reverse mortgage borrowers and their families. We have engaged in research on the use and impact of reverse mortgages on consumers and published our findings,³ successfully

¹ Consumers Union of United States, Inc., publisher of *Consumer Reports*®, is a nonprofit membership organization chartered in 1936 to provide consumers with information, education, and counsel about goods, services, health and personal finance. Consumers Union's publications and services have a combined paid circulation of over 8 million. These publications regularly carry articles on Consumers Union's own product testing; on health, product safety, and marketplace economics; and on legislative, judicial, and regulatory actions that affect consumer welfare. Consumers Union's income is solely derived from the sale of *Consumer Reports*®, its other publications and services, fees, noncommercial contributions and grants. Consumers Union's publications and services carry no outside advertising. Consumers Union does not accept donations from corporations or corporate foundations.

² Since 1983, California Advocates for Nursing Home Reform (CANHR), a statewide nonprofit 501(c)(3) advocacy organization, has been dedicated to improving the choices, care and quality of life for California's long term care consumers. Through direct advocacy, community education, legislation and litigation it has been CANHR's goal to educate and support long term care consumers and advocates regarding the rights and remedies under the law, and to create a united voice for long term care reform and humane alternatives to institutionalization.

³ NORMA PAZ GARCIA, PRESCOTT COLE & SHAWNA REEVES, EXAMINING FAULTY FOUNDATIONS IN TODAY'S REVERSE MORTGAGES (2010), available at <http://www.consumersunion.org/pdf/reverse-mortgage-report-2010.pdf> (hereinafter GARCIA, COLE & REEVES); VICTORIA WONG & NORMA PAZ GARCIA, THERE'S NO PLACE LIKE HOME: THE IMPLICATIONS OF REVERSE MORTGAGES ON SENIORS IN CALIFORNIA (1999), available at <http://consumersunion.org/pdf/reverse.pdf>.

advocated for reverse mortgage borrowers in the California Legislature resulting in new laws to protect them⁴ and have advocated for borrower interests before the CFPB⁵ and the Board of Governors of the Federal Reserve System⁶ and in other forums.

As stated in our jointly authored 2010 report entitled *Examining Faulty Foundation in Today's Reverse Mortgages*⁷ we still believe that the right reverse mortgage may be appropriate for some low-income relatively healthy seniors who lack other retirement assets, do not qualify for lower-cost alternatives, and cannot meet their current mortgage obligation. A reverse mortgage might also be a reasonable alternative for seniors who are in foreclosure and have no other way to pay off the delinquent amount, do not want to sell the home and downsize to a smaller property or do not wish to move into assisted living in the future.⁸ Nonetheless, it is critical that HUD and the FHA act to protect homeowners aged 62 or older, whose homes are owned free and clear—or nearly so—from a myriad of vulnerabilities in the reverse mortgage marketplace.

The fundamental precept for any reverse mortgage sale must be that only suitable loans are sold to appropriate borrowers. We believe this to be in the best interest of the public, including potential borrowers and their families, and is essential to ensure the soundness of the taxpayer-funded Mutual Mortgage Insurance Fund (MMIF) which undergirds the HECM program. As the Department noted, there are significant social benefits of reducing resolution costs and borrower distress through appropriate regulation. While there are some “costs” to implementing the proposed rule, the agency rightly points out that the benefits of more regulation can greatly outweigh the costs. While the benefits improve the condition of the FHA Mutual Mortgage Insurance Fund, we are especially focused on the benefits to borrowers that can inure from these changes, especially those that reduce the risk of foreclosure and increase the effectiveness of informed choice through more effective counseling. While the proposal deals with many aspects of reverse mortgage borrowing, because of the critical nature of counseling in helping potential borrowers decide if a reverse mortgage is a suitable solution given their personal circumstances, our comments will focus in this area.

Comments Regarding Proposed Rule: Counseling (§ 206.41)

Currently the FHA requires prospective borrowers and Non-Borrowing Spouses to receive counseling. Appropriate and effective borrower counseling can play an indispensable role in ensuring that only suitable loans are sold to appropriate borrowers. Unsuitable loans to inappropriate borrowers create greater risk of default and resulting distress to both borrowers and the HECM program. They serve to directly undermine a stated program intent which is to “ease the financial burden on elderly homeowners facing increased health, housing, and subsistence cost at a time of reduced income.” Current §206.41 (a) and (b) require that a list of HECM counselors be given to prospective borrowers and that the counselors must discuss certain aspects of the reverse mortgage loan. We would like to point out that with counseling, it is not enough that an elder understand the mechanics of the loan; they also need to be certain that the loan is altogether suitable for their personal circumstances. In order to make a fully informed determination, they need sufficient information to fully understand the potential benefits and downsides a reverse mortgage will have on their future. If the borrower is concerned about family members, he or she needs to understand how a reverse mortgage may impact them as well.

⁴ See, e.g., A.B. 1700, 2013-2014 Reg. Sess. (Cal. 2014), available at http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab_1651-1700/ab_1700_bill_20140930_chaptered.pdf, A.B. 689, 2011-2012 Reg. Sess. (Cal.2011), available at http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_0651-0700/ab_689_bill_20110921_chaptered.pdf, A.B. 793, 2011-2012 Reg. Sess. (Cal 2011), available at http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_0751-0800/ab_793_bill_20110906_chaptered.pdf, A.B. 329, 2009-2010 Reg. Sess. (Cal.2009), available at http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_0301-0350/ab_329_bill_20091011_chaptered.pdf

⁵ See, e.g., Comments from Consumers Union to Consumer Fin. Protection Bureau(Aug. 31, 2012), available at http://consumersunion.org/pdf/Comments_CFPB_8-31-12.pdf.

⁶ See, e.g., Comments from Consumers Union to the Bd. of Governors of Fed. Reserve Sys. (Dec. 22, 2010), available at https://www.federalreserve.gov/SECRS/2011/January/20110131/R-1390/R-1390_122210_57483_465008012259_1.pdf

⁷ GARCIA, COLE & REEVES, *supra* note 3.

⁸ *Id.* at 5.

Given the continued prevalence of aggressive and misleading marketing of reverse mortgages to seniors, it is difficult for seniors to make informed choices based upon objective information if most of that information comes from a party with a financial interest in selling the reverse mortgage. The sales pitches being employed by lenders primarily focus on the “positive parts” of reverse mortgages and either ignore or downplay the potential negative aspects of the product which can be very important considerations. As critical as it is for borrowers to understand the pros and cons of a reverse mortgage, lenders are not warning seniors about the consequences and hidden ramifications of removing the equity from their home. In 2009, the GAO noted that there was misleading marketing of HECMs⁹ and recommended improved HUD oversight of HECM counseling providers.¹⁰ The problems noted in that 2009 report persist today. According to CFPB’s June 2015 study, “A closer look at reverse mortgage advertisements and consumer risks, incomplete inaccurate statements made in advertisements about reverse mortgage can pose serious risks to older Americans.”¹¹ The study noted that, “While advertisements frequently do not describe all the details of the particular product or services being advertised, the incompleteness of reverse mortgage ads raises heightened concerns because reverse mortgage are complex loans used by older, often financially vulnerable homeowners.”¹²

Counselors may be the only line of defense. Because reverse mortgage decision-making involves a number of complex issues, before committing to a loan, every senior should contemplate possible negative consequences not touched upon in ads or sales pitches. Whether a loan is suitable or right for the borrower who is considering it can only be determined by looking at the totality of that particular borrower's circumstances, goals, and needs. Clearly there is an ongoing need to better inform elder homeowner before they commit to purchase.

Therefore, we recommend that §206.41 (a) and (b) should be expanded to require that, in addition to a list of counselors being given to prospective purchasers of reverse mortgages, there should also be information about suitability given to prospective borrowers before their counseling session. Recent legislation passed in California provides a model for how to accomplish this.

The California Legislature in 2014 considered how to increase the level of suitability among prospective reverse mortgage borrowers and passed legislation A.B. 1700 (Medina)¹³ which put new protections in place for California’s prospective borrowers to increase their knowledge about reverse mortgage borrowing so that they could make better informed choices.¹⁴ Since AB 1700 went into effect, beginning on January 1, 2015, California Civil Code Section 1923.5 has prohibited lenders from taking a reverse mortgage application unless the applicant has received from the lender a specified reverse mortgage worksheet guide. The newly required reverse mortgage worksheet guide¹⁵ helps the prospective applicant consider five potential areas of concern with reverse mortgages that he or she can then discuss in more detail during the counseling session. These are:

- What happens to others in your home after you die or move out?
- Do you know that you can default on a reverse mortgage?
- Have you fully explored other options?

⁹ U.S. GOV’T ACCOUNTABILITY OFFICE, REVERSE MORTGAGES: PRODUCT COMPLEXITY AND CONSUMER PROTECTION ISSUES UNDERSCORE NEED FOR IMPROVED CONTROLS OVER COUNSELING FOR BORROWERS 24 (2009), available at <http://www.gao.gov/new.items/d09606.pdf>.

¹⁰ *Id.* at 2.

¹¹ CONSUMER FIN. PROTECTION BUREAU, A CLOSER LOOK AT REVERSE MORTGAGE ADVERTISEMENTS AND CONSUMER RISKS 3 n.2 (2015), available at http://files.consumerfinance.gov/f/201506_cfpb_a-closer-look-at-reverse-mortgage-advertising.pdf (noting HUD efforts to address misleading claims in marketing and sales).

¹² *Id.* at 3-4.

¹³ See, e.g., A.B. 1700, 2013-2014 Reg. Sess. (Cal. 2014).

¹⁴ A.B. 1700 Analysis, Sen. Judic. Comm., 2013-2014 Reg. Sess., at 7 (Cal. 2014), available at http://www.leginfo.ca.gov/pub/13-14/bill/asm/ab_1651-1700/ab_1700_cfa_20140616_163223_sen_comm.html (prepared for hearing on June 10, 2014).

¹⁵ See Appendix, the text of the new Worksheet Guide begins at California Civil Code Section 1923.5 (b)(1).

- Are you intending to use the reverse mortgage to purchase a financial product?
- Do you need to worry about the impact of reverse mortgages on your eligibility for government assistance programs?

There are many benefits for both borrowers and the HECM program that can be achieved through the use of the pre-loan counseling worksheet now required in California. Besides helping to more fully inform borrowers so that they can make wise choices and reduce unsuitable borrowing, the worksheet allows the senior to contemplate whether a reverse mortgage is the best solution at his or her leisure, in the privacy of their own home. They must come to counseling session with the list completed before the counseling can commence. And the reverse mortgage counselor will be alerted to priority issues to discuss. There is simply not enough time in the counseling session to cover all relevant aspects of reverse mortgages. Thus, completing a pre-counseling worksheet will serve as a roadmap to both the senior and counselor throughout the session to help make the most use of the limited time in the session.

Additional Counseling Improvements are Needed to Address a Challenging Counseling Environment

There are many challenges that could undermine the effectiveness of much needed counseling for deciding whether a reverse mortgage is suitable. Ideally, counseling would be a time where a borrower could discuss options to a reverse mortgage before deciding to go ahead with the reverse mortgage, but in fact, that is not always the case. **We offer the following observations and recommendations.**

Without having the benefit of counseling, some borrowers may have already made up their mind to buy a reverse mortgage. Rather than providing an opportunity for inquiry and contemplation, the reverse mortgage counseling, as important as it should be, becomes nothing more than a formality, along the route to the consummation of a reverse mortgage.

Normal aging may create impediments to objective decision making. The University of Iowa's Orbitofrontal Cortex, Real-World Decision Making and Normal Aging presents data conclusively demonstrating that many adults in their later years become poor decision makers and are likely to fall prey to deceptive advertising. Their study of a cross-sectional sample of community-dwelling older participants quantified that there was compromise of judgment and decision-making abilities due to normal aging and found that approximately 35–40% of the older adults in their study performed disadvantageously on a laboratory measure of decision making.¹⁶ Nevertheless, it is possible to improve the quality, content and process while seniors are considering their choices and weighing their options before they commit to making financial decisions. In a subsequent University of Iowa study,¹⁷ where the financial product of interest the study was a reverse mortgage, it was demonstrated that imparting accurate and understandable information regarding a complex financial product leads to: 1) changes in mood; 2) superior understanding of the financial product; and 3) reduced intention of purchasing the financial product.

The volume of important information, which should be communicated during a counseling session so that a borrower can be fully informed, poses other serious challenges. Under current HUD counseling protocols, the counselor is asked to cover 51 points about reverse mortgages during the session with the borrower, not including constructing the borrower's budget.* In one author's experience, this budget construction process alone can take up half of the counseling session. If the

¹⁶ Natalie L. Denburg et al., *The Orbitofrontal Cortex, Real-World Decision Making, and Normal Aging*, 1121 ANN. N.Y. ACAD. SCI. 480-98 (2007), available at <http://www.ncbi.nlm.nih.gov/pubmed/17872394>.

¹⁷ Natalie L. Denburg et al., *The Aging Brain: A Path to Elder Financial Fraud?* (in progress). Norma Paz Garcia and Prescott Cole will be listed as two of the co-authors of this study.

borrower is considering a HECM For Purchase loan, an additional 17 points about reverse mortgage should be covered. If the counseling session with the borrower lasts one hour which is the minimum time recommended by HUD and often the average length of a phone counseling session (although some borrowers have reported that it is shorter), that leaves just over one minute per discussion item. This is neither practical nor possible. This also makes it challenging for the counselor to ask the 10 questions he must ask for the comprehension quiz, to make sure the elder understand the basics of a reverse mortgage, to issue the counseling completion certificate, or to answer any follow up questions the elder may have.

Given these challenges, we therefore offer the following recommendations to improve counseling for potential reverse mortgage borrowers:

- Borrowers should be required to complete and submit a pre-counseling questionnaire Worksheet, modeled on California's new law, as discussed above.
- Brokers should be required to provide prospective borrowers with a DVD and a packet of information regarding the basics and risks of reverse mortgages to prepare for the counseling session. The materials should be easy to follow, using clear language and be written at appropriate literacy levels so they can be easily understood by the intended audience. This will enable the elder to more properly prepare for the session and be able to ask important questions.
- Face-to-face counseling should be required and the session should be recorded for future reference. The new protocols have not abated problems with reverse mortgage borrowing and do not require face-to-face counseling. In instances where face-to-face counseling is impossible, counselors should be required to employ modern technology to provide virtual face-to-face counseling. Counseling needs to be either in-person face-to-face or electronic face-to-face because it is vastly superior than communicating via telephone. Counseling over the phone is inadequate due to the complexities of the loan, the possible hearing or cognitive impairments of the borrower, and the difficulty of determining exactly who is on the other end of the phone call.
- The reverse mortgage counseling session, whether done face-to-face or through web-based counseling technology, should be digitally recorded by the counselor and the record preserved by the counselor and the broker/lender for the life of the loan. The recording should be given to the borrower and/or his or her legal representative. The digitally preserved session will serve as evidence should any questions arise at a later date regarding the borrower's capacity for understanding the loan at the time it was originated, which participated in the session, or if anyone unduly influenced the borrower into getting the loan.
- The counseling session should be broken up into two parts in order to maximize the borrower's opportunity to learn and fully discuss any items from the Worksheet and retain as much information as possible about reverse mortgages without suffering undue fatigue. The first session would complete the borrower's budget and the second would cover the anatomy and features of the reverse mortgage loan, alternatives to the reverse mortgage, and whether a reverse mortgage would be suitable for the particular borrower.
- Counseling protocols should include a discussion on inter-family loans. In an inter-family loan, a family member or family members can advance money to the senior instead of a bank doing the lending. If the senior has family members who are willing to consider such an arrangement, the senior's home equity can be used as collateral for prepayment. A senior can be advised to contact an estate-planning attorney or a Certified Public Accountant not involved in selling reverse mortgages to set up the paperwork at a small fraction of the cost required to start a reverse mortgage.
- Counseling protocols should require HECM counselors to provide clear information on where to turn for help if the borrower later has problems with a reverse mortgage. The sources of assistance should be beyond the loan servicer who may have little motivation to help. For example, several non-profit agencies funded by HUD are designated to assist HECM borrowers

who are delinquent on their property taxes or homeowners insurance. These and other sources of free assistance approved by HUD to assist HECM borrowers should be brought to the attention of prospective borrowers and HUD should update this list frequently to give prospective borrowers the most current information. We recommend that the CFPB also make such a list available for borrowers on its website.

- Lastly, tenants whose names are not on the reverse mortgage loan need to be notified about their limited rights to remain in the home after the borrower dies or permanently moves out of the home. All members of the household need to know what the reverse mortgage could mean for them in the future.

Comments Regarding Shared Appreciation (Section 206.23)

Consumers Union and CANHR believe there should be a prohibition against shared appreciation schemes. The borrower is currently obligated to pay their loan back at a compounding interest rate, plus loan origination fees and other costs. When it comes time to sell them home, the lenders are made whole and have gained profits through the interest accrued and due them. There is no conceivable advantage for a borrower who, in addition to paying back the loan with interest, must in addition “split” any appreciation with the lender. Also, HUD needs to take into account that at the beginning point in the loan, the home is assessed at a market value determined by averaging homes in the borrower’s vicinity. The starting point from which appreciation begins is actually lower than the highest value of the property at the time the loan commences. Therefore, the lender has an advantage over the borrower in any such appreciation scheme because the appreciation starting point will be below the borrower’s highest best marketing point.

Comments Regarding Utilities and Nonpayment as a Default Trigger

Consumers Union and CANHR believe it is dangerous to include utilities as a property charge because this could easily result in a windfall to a lender who could foreclose based upon a minor encumbrance relative to the value of the mortgage and the fair market value of the property. We recommend strongly against including utilities within the definition of property charges for these reasons.

In conclusion, we applaud HUD’s action to look into ways to better protect borrowers in the reverse mortgage. We hope our recommendations to improve counseling and our comments regarding shared appreciation and against using utilities as a property charge serve as a start.

Please don’t hesitate to contact us should we be of further assistance.

Sincerely,



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Senior Attorney
Consumers Union



Prescott Cole
Senior Attorney
CANHR

Appendix

Text of California Civil Code Section 1923.5

(Note: the contents of the Reverse Mortgage Worksheet Guide begins at Section 1923.5 (b)(1))

(a) No reverse mortgage loan application shall be taken by a lender unless the loan applicant, prior to receiving counseling, has received from the lender the following plain language statement in conspicuous 16-point type or larger, advising the prospective borrower about counseling prior to obtaining the reverse mortgage loan:

IMPORTANT NOTICE TO REVERSE MORTGAGE LOAN APPLICANT

A REVERSE MORTGAGE IS A COMPLEX FINANCIAL TRANSACTION. IF YOU DECIDE TO OBTAIN A REVERSE MORTGAGE LOAN, YOU WILL SIGN BINDING LEGAL DOCUMENTS THAT WILL HAVE IMPORTANT LEGAL AND FINANCIAL IMPLICATIONS FOR YOU AND YOUR ESTATE. IT IS THEREFORE IMPORTANT TO UNDERSTAND THE TERMS OF THE REVERSE MORTGAGE AND ITS EFFECT ON YOUR FUTURE NEEDS. BEFORE ENTERING INTO THIS TRANSACTION, YOU ARE REQUIRED TO CONSULT WITH AN INDEPENDENT REVERSE MORTGAGE LOAN COUNSELOR TO DISCUSS WHETHER OR NOT A REVERSE MORTGAGE IS RIGHT FOR YOU. A LIST OF APPROVED COUNSELORS WILL BE PROVIDED TO YOU BY THE LENDER. SENIOR CITIZEN ADVOCACY GROUPS ADVISE AGAINST USING THE PROCEEDS OF A REVERSE MORTGAGE TO PURCHASE AN ANNUITY OR RELATED FINANCIAL PRODUCTS. IF YOU ARE CONSIDERING USING YOUR PROCEEDS FOR THIS PURPOSE, YOU SHOULD DISCUSS THE FINANCIAL IMPLICATIONS OF DOING SO WITH YOUR COUNSELOR AND FAMILY MEMBERS.

(b) (1) In addition to the plain language notice described in subdivision (a), no reverse mortgage loan application shall be taken by a lender unless the lender provides the prospective borrower, prior to his or her meeting with a counseling agency on reverse mortgages, with a reverse mortgage worksheet guide, or in the event that the prospective borrower seeks counseling prior to requesting a reverse mortgage loan application from the reverse mortgage lender, the counseling agency shall provide the prospective borrower with the following plain language reverse mortgage worksheet guide in 14-point type or larger:

Reverse Mortgage Worksheet Guide--Is a Reverse Mortgage Right for Me?

To decide if a recommended purchase of a reverse mortgage is right for you, consider all of your goals, needs, and available options. This self-evaluation worksheet has five essential questions for you to consider when deciding if a reverse mortgage is right for you.

Directions: The State of California advises you to carefully read and complete this worksheet, and bring it with you to your counseling session. You may make notes on a separate piece of paper with questions you may have about whether a reverse mortgage is right for you. During the counseling session, you can speak openly and confidentially with a professional reverse mortgage counselor, independent of the lender, who can help you understand what it means for you to become involved with this particular loan.

1. What happens to others in your home after you die or move out?

Rule: When the borrower dies, moves, or is absent from the home for 12 consecutive months, the loan may become due.

Considerations: Having a reverse mortgage affects the future of all those living with you. If the loan cannot be paid off, then the home will have to be sold in order to satisfy the lender. To determine if this is an issue for you, ask yourself:

(A) Who is currently living in the home with you?

(B) What will they do when you die or permanently move from the home?

(C) Have you discussed this with all those living with you or any family members?

(D) Who will pay off the loan, and have you discussed this with them?

(E) If your heirs do not have enough money to pay off the loan, the home will pass into foreclosure.

Do you need to discuss this with your counselor? Yes or No

2. Do you know that you can default on a reverse mortgage?

Rule: There are three continuous financial obligations. If you fail to keep up with your insurance, property taxes, and home maintenance, you will go into default. Uncured defaults lead to foreclosures.

Considerations: Will you have adequate resources and income to support your financial needs and obligations once you have removed all of your available equity with a reverse mortgage? To determine if this is an issue for you, ask yourself:

(A) Are you contemplating a lump-sum withdrawal?

(B) What other resources will you have once you have reached your equity withdrawal limit?

(C) Will you have funds to pay for unexpected medical expenses?

(D) Will you have the ability to finance alternative living accommodations, such as independent living, assisted living, or a long-term care nursing home?

(E) Will you have the ability to finance routine or catastrophic home repairs, especially if maintenance is a factor that may determine when the mortgage becomes payable?

Do you need to discuss this with your counselor? Yes or No

3. Have you fully explored other options?

Rule: Less costly options may exist.

Consideration: Reverse mortgages are compounding-interest loans, and the debt to the lender increases as time goes on. You may want to consider using less expensive alternatives or other assets you may have before you commit to a reverse mortgage. To determine if this is an issue for you, consider:

(A) Alternative financial options for seniors may include, but not be limited to, less costly home equity lines of credit, property tax deferral programs, or governmental aid programs.

(B) Other types of lending arrangements may be available and less costly. You may be able to use your home equity to secure loans from family members, friends, or would-be heirs.

Do you need to discuss this with your counselor? Yes or No

4. Are you intending to use the reverse mortgage to purchase a financial product?

Rule: Reverse mortgages are interest-accruing loans.

Considerations: Due to the high cost and increasing debt incurred by reverse mortgage borrowers, using home equity to finance investments is not suitable in most instances. To determine if this is an issue for you, consider:

(A) The cost of the reverse mortgage loan may exceed any financial gain from any product purchased.

(B) Will the financial product you are considering freeze or otherwise tie up your money?

(C) There may be high surrender fees, service charges, or undisclosed costs on the financial products purchased with the proceeds of a reverse mortgage.

(D) Has the sales agent offering the financial product discussed suitability with you?

Do you need to discuss this with your counselor? Yes or No

5. Do you know that a reverse mortgage may impact your eligibility for government assistance programs?

Rule: Income received from investments will count against individuals seeking government assistance.

Considerations: Converting your home equity into investments may create nonexempt asset statuses.

To determine if this is an issue for you, consider:

(A) There are state and federal taxes on the income investments financed through home equity.

(B) If you go into a nursing home for an extended period of time, the reverse mortgage loan will become due, the home may be sold, and any proceeds from the sale of the home may make you ineligible for government benefits.

(C) If the homeowner is a Medi-Cal (Medicaid) beneficiary; a reverse mortgage may make it difficult to transfer ownership of the home, thus resulting in Medi-Cal (Medicaid) recovery.

Do you need to discuss this with your counselor? Yes or No

(2) The reverse mortgage worksheet guide required in paragraph (1) shall be signed by the agency counselor, if the counseling is done in person, and by the prospective borrower and returned to the lender along with the certification of counseling required under subdivision (k) of Section 1923.2, and

the loan application shall not be approved until the signed reverse mortgage worksheet guide is provided to the lender. A copy of the reverse mortgage worksheet guide shall be provided to the borrower.