

## Are You Facing Foreclosure on Your Reverse Mortgage?

- If you receive notice from your lender or servicer that your reverse mortgage is due or in default, contact a non-profit housing counselor or attorney as soon as possible. Housing counselors and legal service agencies in the state-approved HOPE network are certified and professionally trained to assist homeowners who are facing foreclosure. To find an agency near you, call the Maryland Homeowner Assistance hotline at 1-877-462-7555.
- If you are facing foreclosure due to nonpayment of taxes, make sure you are taking advantage of all available tax credits that can lower your annual bill. For more information about state or local tax credits, call the State of Maryland Department of Assessments and Taxation at 1-800-944-7403.
- More information about reverse mortgages and foreclosure can be found on our website at [www.labor.maryland.gov/finance](http://www.labor.maryland.gov/finance). More information about housing counseling agencies can be found on the Maryland Homeowner Assistance website at [homeownerassistance.maryland.gov](http://homeownerassistance.maryland.gov).

### YOUR PROTECTIONS UNDER MARYLAND LAW

The Maryland Reverse Mortgage Loans Act of 2010 requires all reverse mortgage lenders to follow most of the federal rules for HECMs when operating in Maryland. These rules provide additional protections for borrowers in the event of a default.

In addition, depending on whether your lender or servicer is licensed by the Office of the Commissioner of Financial Regulation, your lender or servicer may be subject to additional laws and regulations.



If you believe your lender or servicer has violated state or federal law, contact the Office of the Commissioner of Financial Regulation's Consumer Services Unit at the address below, or you may call 410-230-6077 or email [DLFRComplaints-LABOR@maryland.gov](mailto:DLFRComplaints-LABOR@maryland.gov).

If your lender or servicer does not fall under our jurisdiction, we will forward your inquiry to the appropriate government agency.

### MARYLAND DEPARTMENT OF LABOR

Office of the Commissioner of Financial Regulation  
Maryland Department of Labor  
1100 N. Eutaw Street, Suite 611, Baltimore, MD 21202  
Main Phone: 410-230-6100  
General Email: [DLFRFinReg-LABOR@maryland.gov](mailto:DLFRFinReg-LABOR@maryland.gov)  
Facebook /MarylandLabor | Twitter @MD\_LABOR  
Website: [labor.maryland.gov/finance](http://labor.maryland.gov/finance)



CHANGING  
**Maryland**  
FOR THE BETTER

**Larry Hogan, Governor**

**Boyd K. Rutherford, Lt. Governor**

**Tiffany P. Robinson, Secretary**

**Antonio P. Salazar, Commissioner**

## REVERSE MORTGAGES

### What You Need to Know as a Maryland Homeowner



**OFFICE OF THE COMMISSIONER  
OF FINANCIAL REGULATION**

Maryland Department of Labor

# What is a

# REVERSE

# Mortgage?

*This brochure is for informational purposes only and is not intended to constitute legal advice. Please contact an attorney or housing counselor for further guidance.*

- 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 all 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 products originated by mortgage companies and insured by the Department of Housing and Urban Development (HUD) through its Federal Housing Administration (FHA). HECM lenders must follow additional rules set by HUD. Under Maryland law, reverse mortgage lenders must follow most of these HUD rules even if the loan is not a HECM.



## 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 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.

In Maryland, certain homeowners qualify for state or local tax credits that will lower their annual tax bill. Contact the State of Maryland Department of Assessments and Taxation at 1-800-944-7403 to learn more about your eligibility for these tax credits.

## Is a Reverse Mortgage Right for Me?

HUD-approved, HECM-certified housing counselors are available to help you determine whether a reverse mortgage makes sense for you. A housing counselor is specially trained to review the reverse mortgage products available to you and help you understand your obligations and the financial impact should you choose a reverse mortgage. A housing counselor will offer independent advice, separate from your mortgage broker or lender. A prospective borrower may bring a trusted friend or family member to the counseling sessions, including any children or heirs.

Homeowner housing counseling is **REQUIRED** by Maryland law before taking out a reverse mortgage loan. After the housing counseling sessions are completed, you will receive a certificate to give to your lender if your counselor believes you understand the terms of the reverse mortgage.

**Call HUD at 1-800-569-4287 to locate a HECM-certified counselor near you.**