

WISER/NAPSA *Just the Facts* REVERSE MORTGAGE SCAMS



Introduction

Senior financial abuse scams are a multi-billion dollar "industry." Studies estimate the annual financial loss nationwide to be around \$2.9 billion¹. In a recent New York State study, estimated annual losses for seniors in a subsample of New York State districts fell between \$352 million to \$1.5 billion, suggesting the national total may be substantially higher than previously estimated.² Although it can be difficult to measure the exact extent of the total financial loss, we know that these crimes are on the rise and continue to deprive seniors of their savings and assets. These figures do not account for the tens of billions spent on indirect costs for medical care, social services, and legal costs, or for the pain and suffering of the victims. Victims are not only older people, but also their families and all who provide services and financial assistance.

All seniors, regardless of income, are at risk. Financial abuse may be perpetrated by anyone—a professional con artist, a paid caregiver, a stranger or casual acquaintance, or even a son, daughter, or other family member.

The following factors contribute to the prevalence of senior financial abuse:

- A high percentage of seniors live alone and may be more vulnerable to scams.
- Seniors may be trusting and readily believe the sales "pitches" they hear.
- The population of seniors is increasing, providing a continuous source of wealth for financial abusers.

**REVERSE MORTGAGE
SCAMMERS PREY ON
A SENIOR'S FEAR OF
OUTLIVING ASSETS
AND MORE.**

Education and awareness are two key strategies to preventing and responding to elder financial abuse. This brief looks at reverse mortgage scams and provides resources to keep seniors from falling victim to these financial traps.

Reverse Mortgage Scams

The increasing frequency of reverse mortgages has unfortunately meant that mortgage scams are also on the rise. Preying on fears of financial insecurity, scammers convince the senior that a reverse mortgage is the answer to the senior's financial problems. In reality, seniors are being scammed out of their money or home.

WHAT IS A REVERSE MORTGAGE?

A reverse mortgage is a Federal Housing Authority-insured loan against the equity a senior has built up in his or her home. The loan is "reversed" because, instead of making monthly payments to the lender as in a traditional mortgage, the lender advances sums to the senior against the future sale of the property.

A reverse mortgage may be appropriate for seniors with no other retirement security options, those who are in foreclosure, or for seniors who do not want to sell their home but need the equity (cash) from the value of their home.

Homeowners age 62 or older and who have received counseling from a qualified reverse mortgage counselor are eligible to apply for a reverse mortgage. The loan amount depends on the senior's age, federal loan limits, fees charged, and interest rates. If approved, payments may be provided in a lump sum, credit line, monthly payments, or a combination of ways.

How Reverse Mortgage Scammers Operate

Reverse mortgage scammers may engage unsuspecting seniors in the following ways:

- ☒ Unsolicited advertisements or contact made directly to a senior.
- ☒ Ads from a professional "Senior Estate Planner," or "Certified Elder Planning Specialist."
- ☒ Presentations that include signing documents that are not fully understandable.
- ☒ Ads or presentations that minimize the reverse mortgage counseling process.

Reverse Mortgage Scammers' Techniques

Reverse mortgage scammers may represent a company or work alone. Often scammers advertise by mail, telephone, radio, and television, and usually describe themselves as an expert in financial matters. Scammers use a number of techniques to play on different emotions. These include a senior's fear of outliving assets, burdening their children, or that government retirement and health programs will be cut. The senior is then enticed to sign a document that takes money, equity from the senior's property or even the property itself without the senior's understanding or knowledge.

How Can I Recognize A Reverse Mortgage Scam?

How To Determine If A Reverse Mortgage Scam Has Taken Place

To help determine if someone has been a victim of a reverse mortgage scam, conduct a thorough review. Consider the following:

- ☒ Did the senior understand what a reverse mortgage was?

1 The MetLife Mature Market Institute. *The MetLife Study of Elder Financial Abuse*. June 2011.

2 New York State Office of Children and Family Service. *The New York State Cost of Financial Exploitation Study* June 15, 2016

- ❑ Who benefited from the reverse mortgage?
- ❑ Was the counseling done in person or by phone?
- ❑ Was the senior coerced into signing and providing funds directly to the agent?
- ❑ Could the senior's financial difficulties have been resolved differently?

If there are any signs of wrongdoing, immediately file a report with the police department where the crime was located. Also, contact the guardian or conservator to revoke the Power of Attorney. And contact the county attorney who may be able to both prosecute the agent and sue for restitution.

Further Information

Federal law requires a senior to receive counseling from a qualified reverse mortgage counselor before applying for a reverse mortgage. To find qualified counselors, visit the Department of Housing and Urban Development's website at www.hud.gov or call the housing counselor hotline at 1-800-569-4287.



ADDITIONAL HELPFUL RESOURCES

Many public agencies are involved in preventing and detecting senior abuse and in prosecuting those who commit it. Many organizations are also dedicated to educating seniors on these topics:

- ❁ **National Council on Aging** www.ncoa.org
Provides reverse mortgage counseling and tools to use to help maximize your home equity.
- ❁ **U.S. Administration on Aging** www.aoa.gov
Has information on the Home Equity Conversion Mortgage (HECM) and the Role of the Aging Network, which provides guidance for working with older borrowers and helping them to understand their mortgage situation so they can avoid defaulting on payments or potentially losing their home.
- ❁ **Consumer Financial Protection Bureau** www.consumerfinance.gov
Ensures that consumers get the information they need to make sound financial assets.
- ❁ **U.S. Housing and Urban Development** www.hud.gov
Information about Home Equity Conversion Mortgages (HECM), the only reverse mortgage insured by the U.S. Federal Government and available through an FHA approved lender. Search "HECM" in the website's search bar.
- ❁ **Elder Care Locator** www.eldercare.gov
1-800-677-1116
In partnership with the National Association of Area Agencies on Aging, operates the Eldercare Locator to help individuals find local caregiving services and resources.

ADMINISTRATION ON AGING RESOURCE CENTERS partner to provide valuable information to seniors, caregivers, families and communities across the nation.

National Resource Center on Women and Retirement Planning



The Women's Institute for a Secure Retirement (WISER), in partnership with the Administration on Aging, operates the National Resource Center on Women and Retirement Planning. The Center provides user-friendly financial education and retirement planning tools for low-income women, women of color, and women with limited English speaking proficiency. WISER's mission is to educate women about the issues that affect their long-term financial security and highlight the importance of taking an active role in planning for retirement. WISER offers tools and resources on the topics of Social Security, retirement plans, savings and investments, banking, caregiving, divorce and widowhood, and long-term care.

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National Institute
on Elder Financial Exploitation

National Adult Protective Services Resource Center

NAPSA, in partnership with the Administration for Community Living, operates the National Adult Protective Services Resource Center (NAPSRC). The Resource Center serves professionals from Adult Protective Services (APS) agencies across the United States. The goal of the Resource Center is to provide federal, state and local APS agencies with current, accurate, research based information and training, along with technical assistance to improve their capacity to provide effective protective services to vulnerable and elder adult abuse victims.

NAPSA also operates the National Institute on Elder Financial Exploitation (NIEFE), the first national clearinghouse to focus on the complex issues of elder financial abuse.