



SeniorLAW Center

Protecting the Rights of Older Pennsylvanians

REVERSE MORTGAGE PITFALLS: WHAT TO WATCH OUT FOR

1. **Real Estate Taxes:** The homeowner remains responsible for the payment of the real estate taxes. THERE IS NO ESCROW PERMITTED ON REVERSE MORTGAGES AND THE MORTGAGE COMPANY WILL NOT BE SETTING ASIDE MONEY TO PAY YOUR TAXES!
2. **Pay Your Taxes On Time:** Real estate taxes must be paid each year before March 31. If you enter into an agreement with the City to pay your taxes in installments extending beyond March 31, you MUST send a copy of your agreement to the reverse mortgage company along with a signed letter explaining your agreement. Keep a copy of your letter and the payment agreement for your records.
3. **Homeowner's Insurance:** You must pay the premium on your homeowner's insurance on time, each year, before the policy lapses. Send a copy of each renewal of your policy to the insurance department at your reverse mortgage company.
4. **Maintain Your Home:** You must keep your home in good repair. The reverse mortgage company may conduct a "drive by" of your home at any time to verify that the property is occupied and being maintained.
5. **Do Not Change the Deed Without Approval from the Mortgage Company:** Do not add anyone or remove anyone from the deed because this may violate your mortgage contract and result in the loan becoming due.
6. **Open Your Mail:** The mortgage company must notify you as soon as it becomes aware of a missed tax or insurance payment. You will be given 30 days to contact the mortgage company and arrange payment of the debt.
7. **You Only Get One Strike!** The first time you fall behind paying your taxes, insurance or maintenance expenses, the mortgage company will pay your debt and then work with you to set up an affordable plan to pay the mortgage company back. If you get behind a second time, the lender is NOT obligated to work out repayment and the loan can be foreclosed.
8. **Taking Out A Reverse Mortgage Means You Have Less to Pass to Your Family When You Die.** For many seniors their home is their primary asset. If the value of your home when you die equals the amount you owe the mortgage company, your heirs will receive nothing from this asset. If your family members want to remain in the home after your death they must find a way to repay the loan. No matter what you write in your will, the house will be owned by the mortgage company if your heirs cannot pay the debt.