

## **Home Equity Conversion Mortgage (HECM) Frequently Asked Questions**

### **What is the Home Equity Conversion Mortgage Program?**

The Home Equity Conversion Mortgage (HECM) program is a reverse mortgage offered by the Department of Housing and Urban Development (HUD) and is insured by the Federal Housing Administration (FHA). The program allows you, homeowners 62 and older, to borrow a portion of the equity in your home through a loan. Also, your lender places a mortgage against the property that you have to repay when you no longer live in the property or if you fail to comply with the terms and conditions of the mortgage.

### **Are there any costs *after* I receive the loan?**

Yes. While you don't repay the loan until you no longer occupy the house, you are responsible for paying all property costs, including:

- Real estate taxes
- Property insurance
- Other costs such as homeowner association dues or condo fees

**NOTE:** While property costs are the responsibility of the homeowner, lenders have advanced property cost payments to those borrowers who were unable or unwilling to pay them. HUD is now requiring lenders to collect these advances from borrowers and establish repayment plans including the on-going expenses of future taxes, insurance and other property charges.

### **What happens if I do not pay the property costs?**

According to the terms and conditions of the HECM loan, if you do not pay all property costs, the lender has the right to foreclose. But the FHA does not want to see foreclosures take place. It prefers that you work with your lender to find a solution that will allow you to repay all balances due and stay in your home.

### **How will HUD notify me of a property costs delinquency?**

It may be that your lender has already attempted to contact you about outstanding property charges. New HUD rules require your HECM mortgage lender to send you a letter advising you of the delinquency and requesting that you contact your lender. The letter will also give you the option to call one of the HUD housing counseling agencies listed below for a free counseling session.

- National Council on Aging (800) 510-0301
- CredAbility (888) 395-2664
- Money Management International (866) 765-3328
- National Foundation for Credit Counseling (866) 363-2227
- NeighborWorks America (888) 990-4326

**What if I have already paid the property costs?**

If you have already paid the property costs, simply provide evidence of payment to your lender by calling them at the number provided in the letter.

**How can a HUD housing counseling agency assist me?**

A counselor will help you review your financial situation and work with the lender so you can repay your outstanding property costs. In addition, your counselor will be able to refer you to resources that may assist you in balancing your budget and retaining your home.

**What if I am unable to repay your outstanding property costs?**

If you are unable to repay the outstanding property costs, a HUD housing counseling agency will work with you and your family to identify other agencies and resources in your community to assist you in finding other housing options.

**What agencies will the counselor refer me to?**

A key referral agency will be your local area agency on aging (AAA). AAAs coordinate and offer services that help older adults remain in their community. They can assist you with applying for benefits you may be entitled to and help you transition to other housing options that are available in your community.