

Reverse Mortgages Fraud

Reverse Mortgages are becoming popular in America. Reverse Mortgages are a special type of home loan that lets a homeowner convert the equity in his/her home into cash. They can give a lot of older Americans greater financial security to supplement social security, meet unexpected medical expenses, make home improvements and more.

If you are interested in a reverse mortgage, beware of scam artists that charge thousands of dollars for information that is free from HUD!

Also, be cautious if anyone tries to sell you something like an annuity, and suggests that a Reverse Mortgage would be an easy way to pay for it. If you don't fully understand what they're selling or you're not sure you need what they're selling, be even more skeptical.

No matter why you decide to take a Reverse Mortgage, you generally have at least three business days after signing the loan document to cancel it for any reason without penalty. Remember that you must cancel in writing. The lender must return any money you have paid so far for the financing.

To report fraud or abuse in the Reverse Mortgage program, contact the Division of Mortgage Lending at <http://www.mld.nv.gov/>.

Top Three Reverse Mortgage Scams

1) Charging for Free Reverse Mortgage Information

Reverse Mortgages are more complicated than the average mortgage loan. Knowing that, some con artists offer - for a fee - reverse mortgage information and services that are available to consumers at no charge. For example, some senior homeowners have been contacted by firms offering to assist them in finding a reverse mortgage lender, in exchange for a percentage of the loan. This type of arrangement should always be avoided.

HUD provides this information without cost, and HUD-approved housing counseling agencies are available for free, or at minimal cost, to provide information, counseling, and free referral to a list of HUD-approved lenders. Call 1-800-569-4287, toll-free, for the name and location of a HUD-approved housing counseling agency near you.

2) Downplaying Pre-Loan Counseling or Not Providing It

An educated borrower is the scam artist's worst enemy - but it's up to the borrower to educate themselves and take advantage of counseling and other opportunities to learn about reverse mortgages. All three major reverse mortgage programs - HUD HECM, Fannie Mae's Home Keeper and Financial Freedom - require potential borrowers to have counseling with an independent counselor specially trained in reverse mortgages before taking out a loan.

It is always best to meet face-to-face with the counselor. If the person you're working with offers

to waive the counseling by asking a few simple questions, be on your guard. The scam artists may not tell you how much you are eligible for and pocket the difference.

3) Forgery

Forgery is a key part of many scams. In one case, the lender requested the title company to prepare two checks payable to the homeowner: one for \$61,000 which the homeowner received and a second one for \$42,000 which the corrupt lender endorsed with a forged signature and deposited into his own account.

To protect yourself, never sign documents with blanks to be filled in or corrections to be made later. Carefully protect access to your checking and other accounts. Review and reconcile checking account and loan statements regularly. If you find something suspicious, contact your financial institution immediately.

Sources: <http://www.bud.gov/buying/rvrmort.cfm>,
<http://www.ftc.gov/bcp/edu/pubs/consumer/homes/rea13.shtm> and <http://ezinearticles.com/?Five-Reverse-Home-Mortgage-Scams-to-Watch-Out-For&id=273604>.