

MORTGAGE LIBRARY • FAMILY GUIDE

Reverse Mortgages: A Guide for Families

For adult children and loved ones helping a parent think it through.

If a parent is considering a reverse mortgage, you probably have questions — and maybe some worries. That's normal, and it's a sign you care. This guide explains what a reverse mortgage is and isn't, how you can help, and what happens down the road, so your family can make a decision together with confidence.

What It Is — and What It Isn't

- It IS a loan that lets older homeowners convert part of their home equity into cash, without a required monthly mortgage payment.
- It is NOT a sale. Your parent keeps ownership of the home and stays on the title.
- It IS repaid when the last borrower sells the home, passes away, or no longer lives there as a primary residence.
- It is NOT something heirs are personally on the hook for. With a federally insured HECM, the loan is non-recourse: no one will owe more than the home is worth.
- It DOES come with ongoing responsibilities: property taxes, homeowners insurance, and home upkeep must continue.

How You Can Help

- ☐ **1 Ask what your parent wants.** Start with their goals: staying home, paying for care, easing monthly stress, or protecting savings.
- ☐ **2 Join the conversations.** With your parent's permission, sit in on meetings with the lender and with the required HUD-approved counselor.
- ☐ **3 Bring in trusted advisors.** An elder law attorney, financial planner, or CPA can help fit the decision into the bigger picture.
- ☐ **4 Review the paperwork together.** Look at estimated costs, how funds will be received, and who needs to be on the loan.
- ☐ **5 Plan for the future.** Talk about what happens if your parent moves to assisted living, and what the family wants to do with the home someday.

Questions Worth Asking

- How much is available, and how will my parent receive it?
- What are all the upfront and ongoing costs?
- If one parent is not on the loan, how are they protected?
- What could cause the loan to become due early?
- Will this affect any need-based benefits, such as Medicaid?
- What are the alternatives, and why is this the better choice?

When the Loan Comes Due

When the last borrower passes away or moves out permanently, the family has options. Heirs can keep the home by paying off the loan — often by refinancing — or sell the home and keep any remaining equity. If the home is worth less than the loan balance, heirs of a HECM borrower are not responsible for the difference. Contact the loan servicer promptly; there are timelines for each step, and extensions may be available while you work on a sale or refinance.

RED FLAGS TO WATCH FOR

Be cautious of anyone who pressures your parent to decide quickly, pushes them to use loan proceeds to buy other financial products, or discourages family involvement. A trustworthy professional welcomes your questions and gives everyone time.

Have a question? Ask me directly.

Asking a question isn't applying for a loan. You'll get a straight answer from a real person.

Mike Beal

(619) 218-4706

mikeb@libertynatl.com

www.MikeBealMortgage.com

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