

New Rules for Reverse Mortgages Take Effect November 1, 2010

What is a Reverse Mortgage?

A reverse mortgage is a loan that enables homeowners age 62 or older to borrow against the equity in their home and receive a lump sum, monthly payments, a line of credit or a combination. The loan does not have to be repaid unless you sell your home, permanently move away from the home, die, or if you default on an obligation under the loan such as failing to pay real estate taxes.

New Provisions for Reverse Mortgages

On August 7, 2010 Governor Patrick signed into law changes to “An Act to Stabilize Neighborhoods,” which adds new provisions to the reverse mortgage process.

Effective November 1, 2010, reverse mortgage borrowers must affirmatively agree in writing to this type of loan and certify that they have completed the required third-party counseling with a counselor approved by the Executive Office of Elder Affairs. Beginning on August 1, 2012, third-party counseling must be conducted in-person or the reverse mortgage will not be enforceable. Additionally, Massachusetts law requires a seven day cooling off period for reverse mortgages so that you have the right not to proceed for seven days after signing a loan commitment letter.

The only reverse mortgage insured by the U.S. government is the Home Equity Conversion Mortgage (HECM), and it is available only through an FHA-approved lender. However, reverse mortgage loans may have an impact on eligibility for needs-based government assistance programs (i.e. Supplemental Security Income, Medicaid and Food Stamps) and estate planning.

The Federal Financial Institutions Examination Council (FFIEC) recently released Reverse Mortgage Guidance, which focuses on the need for banks and credit unions to provide clear and balanced information to consumers about the risks and benefits of these products.

If you or your loved ones are considering a reverse mortgage, the Office of Consumer Affairs and Business Regulation encourages you to visit our Reverse Mortgage Loans website or call the Division of Banks at (617) 956-1501 to address any questions you may have. You should also contact your local elder service provider at 800-AGE-INFO to learn about additional programs and services relative to your financial affairs.

