

# TITLE ONE

*"It's all in the Title!"*



## Frequently asked questions for children and heirs about reverse mortgages

So, your family member is considering a reverse mortgage. What does this mean for them and for you? Well, reverse mortgages involve a lot of detail. Too much detail for a simple brochure. But we're good with details, and we've collected the questions most frequently asked about reverse mortgages here for you.

### 1. How will this affect any inheritance?

While tapping into their equity, your parents' home may be appreciating in value, which could allow for some equity left at the end of the loan. They are also able to live comfortably without having to depend on family members to support them.

### 2. What happens if the loan balance becomes greater than the value of the home?

The Home Equity Conversion Mortgage (HECM) is a non-recourse loan, which means that the borrower can never owe more than what the house is worth. As HECM borrowers, your parents pay a mortgage insurance premium to the U.S. Department of Housing and Urban Development (HUD). They, in turn, guarantee that the borrower will never owe more than the value of their home when the loan becomes due and payable.

### 3. Will the bank take their home?

No, the bank will not take their home. Throughout the life of the reverse mortgage, your parents will continue to own their home and retain title.

### 4. How much money will they owe when the loan has to be repaid?

Your parents will owe the total amount borrowed, accrued mortgage insurance premiums, accumulated interest, servicing fees, and any other costs and fees financed through the loan amount.

### 5. When do my parents repay the loan?

There are three viable options for your parents. They can sell their home to repay the lender and collect the proceeds, choose to reimburse the lender directly from a personal account or refinance the loan.



### 6. What happens to the equity if my parents or I decide to repay the loan by selling the house?

There are two options. Either your parents or the heirs can keep the home and pay the balance due on the reverse mortgage, or they can decide to sell the home and use the proceeds to pay off the reverse mortgage. Either way, the remaining equity is retained by the owners or heirs.

### 7. What happens to my parents' house if they move into a senior care facility?

A reverse mortgage typically becomes due and payable when the last borrower moves out of his or her home permanently.

### 8. What are the risks my parents would be taking in receiving a reverse mortgage?

A reverse mortgage doesn't affect regular Social Security or Medicare benefits. To find out if it impacts other federal, state or medical assistance programs, contact your reverse mortgage lender, tax attorney or counseling agency.

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### 9. Are there restrictions on how my parents spend their money?

Your parents can spend their money any way they want. Borrowers have used reverse mortgages to pay for grandchildren's educations, vacations, new cars, home improvements or to eliminate debts. The money can be used for anything they desire.

### 10. Is there any information that shows the total fees associated with reverse mortgage?

The lender is required to provide your parents with the Total Annual Loan Cost, or "TALC" disclosure, which is required by the Federal Reserve Board. The TALC displays the total transaction costs over the projected life of the loan, which will allow your parents to see all costs related to the reverse mortgage.

**Contact us for more information on reverse mortgages, title insurance and to find out why we're the right title company for your relatives.**

The content in this brochure is intended for general information only. Consult with your HUD office and/or attorney for advice on your specific transaction.

### **Title One, Inc.**

1275 E. Fort Union Blvd., Suite 100  
Cottonwood Heights, UT 84047  
Phone: (801) 266-0606  
**[www.TitleOne.net](http://www.TitleOne.net)**

