

Consumer Safeguards

- **Standard & Capped Interest Rates.** The interest rate is the same no matter which lender a senior chooses. On HECM, interest rates are adjusted either monthly or annually (the borrower chooses) and based on an index called the 1-year U.S. Treasury Constant Maturity Rate published weekly by the Federal Reserve. Both the monthly and annually adjusted rates have lifetime caps. On other products, different indexes are used.
- **Limitation on Fees.** Origination fees are limited by HUD regulations and may be financed as part of the reverse mortgage. This means a senior incurs very little out-of-pocket expense to get a reverse mortgage.
- **Advance Disclosure.** The Total Annual Loan Cost, or “TALC” disclosure, required by the Federal Reserve Board, is provided to the prospective reverse mortgage borrower and displays the total transaction costs over the projected life of the loan. This way, a senior is made fully aware of the costs incurred in obtaining the reverse mortgage.
- **Independent Counseling.** Before a reverse mortgage application can be processed, the prospective borrower must first meet with an independent counselor. Both HUD and AARP oversee a network of counselors whose job is to review the transaction, answer any questions the borrower may have about reverse mortgages and suggest alternative options.
- **No Maturity Date.** A reverse mortgage cannot become due during the homeowner’s lifetime. It is a permanent tool. The fact that there are no required payments and there is a lifetime right to occupy the home provides great protection against unforeseen or unanticipated future circumstances, rendering reverse mortgages vastly safer than other loan alternatives.
- **No Prepayment Penalty.** Although the loan is not due and payable until the senior permanently moves out of the home, it can be paid-off at any point prior with no additional fees or costs.
- **No Penalty for Canceling the Loan.** After the loan closes, a senior has up to three days to cancel the transaction, the so-called “right of rescission,” for any reason whatsoever.
- **Asset Protection.** The HECM is a “non-recourse” loan. This means that the amount due can never exceed what the home is worth. Title to the home always remains with the borrower. When the loan becomes due, the lender is repaid the sum of funds advanced plus the accrued interest, but never more than the value of the house. If there is remaining value, it belongs to the homeowner or the estate.

- **No Shared Appreciation.** No reverse mortgage product in the marketplace has “equity-sharing” or “shared appreciation” features. In some earlier reverse mortgage products, the senior could obtain more money in exchange for giving up a percentage of the future value of the home. Such products are no longer offered.