



Don't Be a Mortgage Fraud Casualty:

R EVERSE MORTGAGE SCHEMES

Mortgage fraudsters are out to take your money, your house, or even your identity. Knowledge is your best defense.

Schemes: Senior citizens often have paid on their mortgage for years and built up a “nest egg” of value that they can withdraw using a home equity conversion mortgage (also referred to as either a HECM loan or a reverse mortgage). Fraudsters trick seniors with different scams.

Fraudsters may convince seniors to purchase high cost insurance contracts or annuities, use the reverse mortgage proceeds to make a “can't miss” investment or make high cost repairs or improvements to their house, or sign a Power of Attorney giving the fraudster access and control of the reverse mortgage proceeds.

Typically, once the lender provides a lump sum payout from the HECM loan and the Senior citizen turns the funds over to the fraudster for a phony service, the fraudster disappears, and the service or product is never provided. Tragically, some of these fraudsters may be the senior's own children or care givers, who see an opportunity to obtain cash from a person who may not understand what is happening.

Fraudsters also may dupe seniors who do not own a home into thinking they can buy one with no down payment using this program. Fraudsters do this by getting a false, high appraisal on an inexpensive house and using the senior's identity and eligibility to qualify for a reverse mortgage. Unknown to the lender, there is no equity in the house, because the documents supporting the value are fraudulent. After the lump sum is paid out, the fraudster disappears, and the senior is left with no equity in the home and may face eviction if taxes are not paid.





Fraudsters will also steal the identity of a senior by using their Social Security number and other personal information. The fraudster or an accomplice may impersonate the senior in the application process and use the stolen information to rob the equity from the home through a fraudulent HECM loan without the senior's knowledge.



Do's

- ✔ Do speak (for free) with a HUD-certified housing counselor. To locate a HECM counselor near you, visit the [FHA HECM Roster](https://entp.hud.gov/idapp/html/hecm_agency_look.cfm) at https://entp.hud.gov/idapp/html/hecm_agency_look.cfm or call (800) 569-4287.
- ✔ Do work with a reputable lender. Check the listing for the Better Business Bureau at <http://www.bbb.org/>.
- ✔ Do shop around. Scammers will insist that they are the only lender you should speak to. Click here for HUD's [Good Faith Estimate](http://www.hud.gov/content/releases/goodfaithestimate.pdf) form to shop for the best deal or get it at (<http://www.hud.gov/content/releases/goodfaithestimate.pdf>).
- ✔ Do make sure you have money to pay your real estate taxes and hazard insurance on your home every year. You are responsible for both expenses and could lose your home if you do not pay them.
- ✔ Do attend the closing personally and make sure any proceeds are given to you and not someone else.
- ✔ Do safeguard your Social Security card and identification documents.



Don'ts



- X** Don't purchase an annuity or make other investments with your loan proceeds. Loan officers are prohibited from selling you financial instruments or investments.
- X** Don't give out your Social Security number and other personal information unless you are sure of the identity and reputation of the person asking you for the data.
- X** Don't believe anyone who tells you that you can get a house for free or with no down payment.

Report Fraud:



If you think you may be a victim of a scheme, report it to the **HUD Office of Inspector General**. **Call toll free: 1-800-347-3735**. Call Tuesday through Friday: 9:00 a.m. thru 3:00 p.m. Eastern Standard Time. You must call our toll-free number to submit a complaint.

For general information on reverse mortgages, contact:
U.S. Department of Housing and Urban Development
451 7th Street, S.W. Washington, DC 20410
Phone: 1-888-466-3487
www.hud.gov/offices/hsg/sfh/hecm/rmtopten.cfm