



Reverse Mortgage Worksheet Guide

Is a Reverse Mortgage Right for Me?

Pursuant to Cal. Civ. Code § 1923.5(b)

To decide if a recommended purchase of a reverse mortgage is right for you, consider all of your goals, needs, and available options. This self-evaluation worksheet has five essential questions for you to consider when deciding if a reverse mortgage is right for you.

Directions: The State of California advises you to carefully read and complete this worksheet, and bring it with you to your counseling session. You may make notes on a separate piece of paper with questions you may have about whether a reverse mortgage is right for you. During the counseling session, you can speak openly and confidentially with a professional reverse mortgage counselor, independent of the lender, who can help you understand what it means for you to become involved with this particular loan.

1. What happens to others in your home after you die or move out?

Rule: When the borrower dies, moves, or is absent from the home for 12 consecutive months, the loan may become due.

Considerations: Having a reverse mortgage affects the future of all those living with you. If the loan cannot be paid off, then the home will have to be sold in order to satisfy the lender.

To determine if this is an issue for you, ask yourself:

- (A) Who is currently living in the home with you?
- (B) What will they do when you die or permanently move from the home?
- (C) Have you discussed this with all those living with you or any family members?
- (D) Who will pay off the loan, and have you discussed this with them?
- (E) If your heirs do not have enough money to pay off the loan, the home will pass into foreclosure.

Do you need to discuss this with your counselor?

Yes

No

2. Do you know that you can default on a reverse mortgage?

Rule: There are three continuous financial obligations. If you fail to keep up with your insurance, property taxes, and home maintenance, you will go into default. Uncured defaults lead to foreclosures.

Considerations: Will you have adequate resources and income to support your financial needs and obligations once you have removed all of your available equity with a reverse mortgage?

To determine if this is an issue for you, ask yourself:

- (A) Are you contemplating a lump-sum withdrawal?
- (B) What other resources will you have once you have reached your equity withdrawal limit?
- (C) Will you have funds to pay for unexpected medical expenses?
- (D) Will you have the ability to finance alternative living accommodations, such as independent living, assisted living, or a long-term care nursing home?
- (E) Will you have the ability to finance routine or catastrophic home repairs, especially if maintenance is a factor that may determine when the mortgage becomes payable?

Do you need to discuss this with your counselor? Yes No

3. Have you fully explored other options?

Rule: Less costly options may exist.

Consideration: Reverse mortgages are compounding-interest loans, and the debt to the lender increases as time goes on. You may want to consider using less expensive alternatives or other assets you may have before you commit to a reverse mortgage.

To determine if this is an issue for you, consider:

- (A) Alternative financial options for seniors may include, but not be limited to, less costly home equity lines of credit, property tax deferral programs, or governmental aid programs.
- (B) Other types of lending arrangements may be available and less costly.

Do you need to discuss this with your counselor? Yes No

4. Are you intending to use the reverse mortgage to purchase a financial product?

Rule: Reverse mortgages are interest-accruing loans.

Considerations: Due to the high cost and increasing debt incurred by reverse mortgage borrowers, using home equity to finance investments is not suitable in most instances.

To determine if this is an issue for you, consider:

- (A) The cost of the reverse mortgage loan may exceed any financial gain from any product purchased.
- (B) Will the financial product you are considering freeze or otherwise tie up your money?
- (C) There may be high surrender fees, service charges, or undisclosed costs on the financial products purchased with the proceeds of a reverse mortgage.
- (D) Has the sales agent offering the financial product discussed suitability with you?

Do you need to discuss this with your counselor? Yes No

5. Do you know that a reverse mortgage may impact your eligibility for government assistance programs?

Rule: Income received from investments will count against individuals seeking government assistance.

Considerations: Converting your home equity into investments may create nonexempt asset statuses.

To determine if this is an issue for you, consider:

- (A) There are state and federal taxes on the income investments financed through home equity.
- (B) If you go into a nursing home for an extended period of time, the reverse mortgage loan will become due, the home may be sold, and any proceeds from the sale of the home may make you ineligible for government benefits.
- (C) If the homeowner is a Medi-Cal beneficiary, a reverse mortgage may make it difficult to transfer ownership of the home, thus resulting in Medi-Cal recovery.

Do you need to discuss this with your counselor? Yes No

Counselor Printed Name

Counselor Signature (Required if counseling is face-to-face)

Date

I/We have read the above document and acknowledge receiving a copy prior to reverse mortgage counseling by signing below.





Date