



## 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 or 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 or 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. You may be able to use your home equity to secure loans from family members, friends, or would-be heirs.

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

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Counselor Printed Name

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

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Date

IRENE DAVIS

Date

Mrs DAVIS

Date

Mr DAVIS

Date



## Important Notice to Reverse Mortgage Loan Applicant

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

### IMPORTANT NOTICE TO REVERSE MORTGAGE LOAN APPLICANT

A REVERSE MORTGAGE IS A COMPLEX FINANCIAL TRANSACTION. IF YOU DECIDE TO OBTAIN A REVERSE MORTGAGE LOAN, YOU WILL SIGN BINDING LEGAL DOCUMENTS THAT WILL HAVE IMPORTANT LEGAL AND FINANCIAL IMPLICATIONS FOR YOU AND YOUR ESTATE. IT IS THEREFORE IMPORTANT TO UNDERSTAND THE TERMS OF THE REVERSE MORTGAGE AND ITS EFFECT ON YOUR FUTURE NEEDS. BEFORE ENTERING INTO THIS TRANSACTION, YOU ARE REQUIRED TO CONSULT WITH AN INDEPENDENT REVERSE MORTGAGE LOAN COUNSELOR TO DISCUSS WHETHER OR NOT A REVERSE MORTGAGE IS RIGHT FOR YOU. A LIST OF APPROVED COUNSELORS WILL BE PROVIDED TO YOU BY THE LENDER.

SENIOR CITIZEN ADVOCACY GROUPS ADVISE AGAINST USING THE PROCEEDS OF A REVERSE MORTGAGE TO PURCHASE AN ANNUITY OR RELATED FINANCIAL PRODUCTS. IF YOU ARE CONSIDERING USING YOUR PROCEEDS FOR THIS PURPOSE, YOU SHOULD DISCUSS THE FINANCIAL IMPLICATIONS OF DOING SO WITH YOUR COUNSELOR AND FAMILY MEMBERS.

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#### ACKNOWLEDGMENT

I/We have read the above notice and acknowledge receiving a copy by signing below.

[Signature area]

IRENE DAVIS

[Date area]

Date

[Signature area]

Mrs DAVIS

[Date area]

Date

Mr DAVIS

Date

