



REVERSE MORTGAGE



A FAMILY GUIDE

Reverse Mortgages, explained for families

Honest answers for the adult children, spouses, and loved ones of homeowners 62 and older — so your family can make this decision together, with confidence.

Prepared for you by Bill Gould, Home Equity Planner

Bill Gould

LOAN OFFICER · HOME EQUITY PLANNER · NMLS #1876542

952-820-5652 | bill.gould@fairwaymc.com

Fairway Independent Mortgage Corporation · NMLS #2289

EQUAL HOUSING
OPPORTUNITY

START HERE

Why this guide is for you

If someone you love is thinking about a reverse mortgage, you probably have questions — and maybe a little worry. That's healthy. The best decisions about a family home are made **together**, out loud, with good information on the table.

This guide answers the questions families ask us most, in plain language. Read it, mark it up, and bring it to the conversation. There's no pressure here — just the facts you need to help your parent or loved one choose well.

What a reverse mortgage actually is

A reverse mortgage lets a homeowner 62 or older turn part of their home's equity into cash. Here's what's true about how today's federally insured version (a **HECM**) works:

- ✓ **They keep their home.** Your loved one stays on the title and continues to own and live in the home as their primary residence.
- ✓ **No required monthly mortgage payment.** The loan can even pay off an existing mortgage. They still pay property taxes, homeowners insurance, any HOA dues, and upkeep.
- ✓ **The balance grows, instead of shrinking.** Interest and fees are added to the loan over time rather than paid monthly, so the balance rises and the equity decreases.
- ✓ **You can never owe more than the home is worth.** A HECM is "non-recourse" and federally insured — more on what that means for you on the next page.
- ✓ **It's regulated and counseled.** Borrowers must be 62+, and an independent HUD-approved counselor must review the loan with them before it can move forward.

The one myth to drop first

"The bank takes the house." It doesn't. Your parent keeps ownership and the title. The lender simply has a lien — exactly like any other mortgage.

STRAIGHT ANSWERS

The questions families ask most

1 Will my parent lose their home?

No. They keep the title and ownership. As long as the home is their primary residence and they keep up property taxes, insurance, HOA dues, and maintenance, the loan stays in good standing and won't come due.

2 Will I inherit their debt?

No. A HECM is non-recourse, so you are never personally responsible for the balance. If the loan ever exceeds the home's value, FHA insurance covers the difference — your family can simply hand the home back with no out-of-pocket cost.

3 What happens to the house when the time comes?

When the last borrower permanently leaves the home, you'll have options: **keep it** (pay off the balance — or 95% of the appraised value if that's less — usually by refinancing); **sell it** and keep any leftover equity; or **hand it back** to the lender with no personal liability.

4 Will it affect Social Security or Medicare?

Generally no. Loan proceeds are not income, so they don't affect Social Security or Medicare, which aren't means-tested. Need-based programs like Medicaid can be affected, so it's worth checking with a benefits advisor.*

5 Is this a scam or a rip-off?

A HECM is a federally regulated, FHA-insured loan with required independent counseling and a right to cancel after closing. It isn't free — there are real costs — but it isn't a trick. The best protection of all is the one you're already using: bring the whole family to the table and ask hard questions.

A good rule for families

If anyone pressures your parent to decide quickly, that's a red flag — not a reverse mortgage problem. A good loan officer will slow down and welcome your questions. We do.

HONEST GUIDANCE

Is it the right fit?

A reverse mortgage is a powerful tool for many families and the wrong choice for others. Here's how to tell which side of the line your situation falls on.

Often a good fit when...

- ✓ They plan to stay in the home for years.
- ✓ They want to erase a monthly mortgage payment or boost cash flow.
- ✓ They can comfortably keep up taxes, insurance & upkeep.
- ✓ They want a flexible line of credit as a safety net.
- ✓ They want to age in place and fund home modifications.

Worth a pause when...

- ! They may move or sell within a few years.
- ! Leaving the home debt-free to heirs is the top priority.
- ! Keeping up taxes, insurance, or upkeep would be a strain.
- ! Family members not on the loan would need to remain in the home.
- ! A simpler option (downsizing, a HELOC, family help) fits better.

What must stay covered — for the life of the loan

A reverse mortgage removes the monthly mortgage payment, but these obligations remain. Falling behind on them is the main thing that can cause the loan to come due. Make sure there's a plan:

Property taxes

Homeowners insurance

HOA / condo dues

Home maintenance

Living there as primary residence

How you can help

- 1 **Join the conversation early.** Ask to sit in on calls and meetings. A good loan officer will welcome it.
- 2 **Attend the HUD counseling session.** It's a free, neutral second opinion — treat it as a chance to ask everything.
- 3 **Confirm the ongoing costs are planned for.** Make sure taxes, insurance, and upkeep are comfortably affordable.
- 4 **Compare the alternatives together.** Downsizing, a HELOC, or doing nothing all deserve a look beside a reverse mortgage.
- 5 **Verify the professional.** Look up the loan officer's NMLS ID at nmlsconsumeraccess.org before signing anything.

BRING THESE TO THE TABLE

Questions to ask together

- How much could my loved one receive, and how would they receive it — lump sum, line of credit, or monthly?
- What are all the costs, in writing, and how do they compare to a HELOC or downsizing?
- What's the plan to keep up property taxes, insurance, and maintenance for the long run?
- What happens if they need to move into assisted living or be away for a long stay?
- What will my options be as an heir, and roughly what might the balance look like over time?
- Is a younger spouse protected, and what do they need to do to stay in the home?

Ready to talk it through?

Bring your questions — we'll bring straight answers, with no pressure and no obligation. Scan the code or reach out directly to start a family conversation or a free, personalized estimate.



Scan to get started

Bill Gould

LOAN OFFICER · HOME EQUITY PLANNER · NMLS #1876542

Phone: 952-820-5652

Email: bill.gould@fairwaymc.com

Office: 4750 S. Biltmore Lane, Madison, WI 53718

Apply: mtgpro.co/dr/c/jlwc0

Licensed in WI (#1876542) & MN (#MN-MLO-1876542)

IMPORTANT DISCLOSURES

This material is for educational purposes and relates to Home Equity Conversion Mortgage (HECM) loans only. It does not constitute tax, legal, or financial planning advice. *Statements about taxes, Social Security, Medicare, Medicaid, and retirement strategy are illustrative; please consult your own tax advisor, benefits administrator, and financial planner. Cash drawn from equity is usually tax-free, but this is not tax advice.

Reverse mortgage borrowers must be at least 62 years old and are required to receive counseling from a HUD-approved counseling agency before obtaining the loan. Borrowers remain responsible for paying property taxes, homeowners insurance, and home maintenance (and HOA dues, if applicable). Failing to pay these amounts may cause the loan to become due and payable. The loan balance grows over time as interest and fees are added, and the equity in the home decreases accordingly.

Non-recourse means that when the loan becomes due and is repaid through sale of the home, neither the borrower nor their heirs owe more than the home's value at that time; any shortfall is covered by FHA insurance. If heirs wish to keep the home, they may purchase it for 95% of the current appraised value or the loan balance, whichever is less.

Fairway is not affiliated with any government agency. These materials are not from HUD or FHA and were not approved by HUD or a government agency. Fairway Independent Mortgage Corporation, NMLS Entity ID #2289 (www.nmlsconsumeraccess.org). Equal Housing Opportunity.