

Published based on [Reversible Mortgage Red Flags](#)

Reversible Mortgage Red Flags

Reversible Mortgage Warnings

If you see a warning sign then you won't fall off a cliff, or go where no one should go. Take a look at the red flags listed here and don't see these as negative aspects of a [Reversible Mortgage](#) but just reminders of the fact that when big money is involved, there are a few people out there who might get a little greedy now and then.

It is surprising, yes but true, A Reversible mortgage can be a wonderful tool to assist seniors who are trying to make ends meet by putting their home work for them. And, like anything else, you've got to know where those potholes and cliffs are to get to where you want to be. Here are some reverse mortgage red flags to keep an eye out for.

Red Flag #1. Reversible Mortgage paperwork may have unforeseen consequences. If you don't understand the document, you won't understand the consequences. Take the time to get proper guidance, second opinions, and a review of appropriate alternatives.

Red Flag #2. High cost of a reversible mortgage may outweigh the benefits of alternatives. As in any loan, there are going to be associated fees and costs. These should be clearly spelled out up front. Consult your lawyer, accountant, or other trusted adviser to review any loan application before making a major financial commitment like a reverse mortgage.

Red Flag #3. Uncertain Reversible Mortgage benefits. The strange thing about reversible mortgages is that you cannot calculate the true cost of this loan because it depends on how long you are going to live. But, if you want to pass anything to your heirs, it's worth considering the alternatives. There is no way to predict the home appreciation and future interest rates so consider the reversible mortgage carefully. Yes, payments come to you tax free but the debt on that asset is going up. This may be fine as long as you live and as long as you live there. Again, just know your options.

Red Flag #4. Tight-lipped Reversible Mortgage Lenders, who don't fully disclose fees and terms are a big problem. As we've just seen in the sub-prime lending mess, many consumers didn't understand what they were getting into. Some underhand Reversible Mortgage Lenders have gone so far as to work themselves into the deal to gain a large percentage of the property's appreciation. Ask your lender if they are attempting to gain any percentage of the appreciation as part of their profit.

Red Flag #5. Forcing Reversible Mortgage Borrowers to buy additional financial products such as variable annuities. In this case, consumers can lose their principle and the earning potential of that money. Sometimes it's alright to combine financial products but if you do, please double check the terms with someone who understands both types of products.

Watch Out For Added Reversible Mortgage Fees

Red Flag #6. Numerous front end and back-end Reversible Mortgage Fees can be exorbitant. Artificially inflated fees raise the cost to the borrower and deflate consumer benefits fast. Oh yes, the definition of exorbitant can be debated all day long but that is exactly why you need to take the time to educate yourself, get several reversible mortgage proposals, and obtain advice from a trusted expert like your accountant, lawyer or financial adviser.

Red Flag #7. Reversible mortgage counselors imply that they are there to protect the interest of the seniors applying for the loan. This may be legitimate but if they present themselves as a counselor yet, have an affiliation with the Reversible Mortgage Lender; there is an inherent conflict of interest. Unfortunately the government still allows this practice. Your tax advisor doesn't work for the IRS does he? Well then your reversible mortgage counselor should not work for the lender he is trying to protect you from.

Red Flag #8. Borrowers should not pay a referral fee for an agent just for the privilege of introducing you to a Reversible Mortgage Lender. That fee has been as much as 10% of the loan amount in some cases. Don't pay referral fees or finder's fees for a reversible mortgage just find a new agent or broker.

Get To Know Your Reversible Mortgage Lender

Red Flag #9. You don't know your Reversible Mortgage Lender. Laws and recourse vary from state to state. It's a good idea to know your lender. Get referrals from family and friends and ask for references from the agent you are talking with.

Red Flag #10. HUD might be a DUD. You cannot assume that because Uncle Sam is guaranteeing some aspect of a reversible mortgage that it is safe or good for your situation. HUD does provide some helpful and free info on its website but it is very limited. If the sales rep says this loan is safe because it's backed by the U.S. Government, don't be overly impressed.

Red Flag #11. Reversible Mortgage Information is withheld. When Total Annual Loan Costs (TALC) rates are not disclosed, be careful. When information is withheld and real costs and fees are not fully explained up front, there's trouble on the horizon.

Red Flag #12. If a borrower's ability to make a major decision is in anyway questionable, everyone including the agent, the Reversible Mortgage Lender, and family members should slow down and get additional professional assistance. If you are dealing with agents and lenders with any degree of integrity they will certainly offer any senior who doesn't understand the consequences of the reversible mortgage, the resources and time to get more assistance. Families should work together to keep tabs on senior family member's financial needs and lend a helping hand and a second set of eyeballs to major financial decisions such as a **reversible mortgage**.

Red Flag #13. Alternatives to a reversible mortgage are not known. There are several safe and secure alternatives that should be considered.

The bottom line to a reversible mortgage is this. There are reversible mortgage alternatives beyond lines of credit or selling your home. Get the facts, recognize the red flags and take the time to do your homework.

Elder abuse is an ongoing concern when it comes to the reversible mortgage or other financial products. The best way to fight this problem is to punish lenders who have no ethics and to teach seniors and their family members the facts and the alternatives. Families need to keep closer tabs on senior members and do the homework when it comes to the *reversible mortgage*.

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