

**September 20, 2015, in the Casper Star Tribune, with editor's headline of, "Beware the misleading claims of reverse mortgages"**

On a trek across Wyoming with my dog, I visited with someone who lives 300 miles away.

His backyard features a dog run, though his canine friend is long gone. While the small, 100-year-old home is cute as a button – he upgraded it to serve his needs, adding a wood-burning stove – it's also burdened with a reverse mortgage.

When he entered the deal, he held a mortgage from a bank that valued the home at \$50,000. The reverse-mortgage lender assured him that the home was worth \$90,000, which meant money to cover debts incurred by an outsize divorce and a law practice that's less than cost-effective.

Fast forward a few years later to the present.

The reverse-mortgage lender sends monthly statements that show his modest home at a price of \$150,000, meaning, he'll never be able to opt out of the deal. Like the protagonist of "Sixteen Tons" who says, "I owe my soul to the company store," my Wyomingite owes his soul to his lender.

"What if you need assisted living?" I asked. In that case, the lender will let him off the hook but confiscate the house. My friend has lost his one asset of value, yet he pays on it every day.

CNBC says a Home Equity Conversion Mortgage is a loan allowing homeowners ages 62 or over to get cash based on the equity in their home. They can get a lump sum, monthly payment, or a line of credit. As long as they stay in their home, borrowers need not repay the reverse mortgage. The balance is due when the last surviving borrower dies, sells or moves out. But if homeowners outlive the amount of equity, they must sell or go back to work--if they can. If not, they face foreclosure.

Practically every AARP publication sports full-page ads showing smiling couples claiming to have found security in knowing that, thanks to reverse mortgage, they are free of mortgage payments and safe from monthly increases. You might see images of youthful retirees on the golf course or enjoying other leisure activities in a reverse mortgage advertisement--on television, radio, in print, and on the internet. Many feature celebrity spokespeople discussing the benefits of reverse mortgages without mentioning risks. Much less do they warn that financing retirement with debt is a big mistake. You can't win the money game by going into debt--especially when you're older.

The U.S. Government Accountability Office last year found dozens of misleading marketing claims about reverse mortgages, in materials distributed by several large lenders. For example:

- Lifetime income. Not true. Income from a reverse mortgage stops if you sell your house or move.
- Never lose your home. Not true. You can lose your home if you can't afford to pay taxes, insurance, or maintain the home.
- Never owe more than the value of your home. Not true. If your loan exceeds the value of your home, you or your heirs will have to make up the difference if the home isn't sold when the loan is due.
- Implications that a reverse mortgage is a government benefit rather than a loan. Some lenders even use government logos to convince you to buy.

Fees on a reverse mortgage are expensive. The loan balance gets larger over time and the value of the estate/inheritance may decrease over time. You'll pay:

- An origination fee;

- Standard closing costs;
- Mortgage insurance premiums for coverage to make up the difference if your home doesn't sell for enough to pay the loan;
- A monthly mortgage insurance servicing fee;
- Fees for mandatory credit counseling, which you pay whether or not you get the reverse mortgage.

The Consumer Financing Protection Bureau issues this warning:

"You can lose your home with a reverse mortgage. When a reverse mortgage ad says you'll retain ownership of your home, or that you can live there as long as you want, don't take these messages at face value. These statements are true only if you continue to meet all requirements of the reverse mortgage. If you fall behind on your property taxes or homeowners insurance, are absent from your home for longer than six months, or fail to satisfy other requirements, you can trigger a loan default. If you don't take care of the default in time, the lender can foreclose on your home. Sometimes these requirements are listed in fine print, but not always. If you have a question about reverse mortgage requirements, contact a HUD-approved housing counselor near you."

Reverse mortgages, like payday scams, target people in crisis. A spouse may be ailing or in long-term care. The caregiver spouse is overwhelmed and not thinking clearly, much less planning ahead. Reverse mortgages suggest that things will get back to normal, an illusion that your future will be the same as your past.