REVERSE MORTGAGE DEFAULT TRIGGERS

1. The last “Borrower” has died – Automatic Default
2. Failing to pay property taxes or HOA fees
3. Failing to keep your homeowner’s hazard insurance or other required insurance current (as required in originating loan contract)
4. A borrower has not occupied the property continuously as their primary residence
5. You complete and return an annual occupancy certification notice to the lender in a timely manner.
6. You have allowed your home to fall into disrepair (beyond ordinary wear and tear), and you fail to correct the problem according to the lender’s standard.
7. The property has been sold or title has been transferred, including within a trust
8. The property is no longer the primary residence of at least one of the borrowers.
9. A petition for bankruptcy has been filed by or against you.
10. You rent or lease your home.
11. Committing fraud or making a misrepresentation.
12. A new owner is added to the title who is not your legal spouse
13. Having the home infringed on by government actions such as eminent domain or condemnation.
14. Changing your home’s zoning classification
15. Donating or abandoning your home
16. Not completing the initial repairs required at closing by the lender’s set deadline.
17. A new debt, 2nd or other loan is placed against the home.

TRIGGER NOTES

#1 When the last Borrower (on the loan) dies the loan is automatically in default and called due and payable

#2 & #3 Currently, 18% of reverse mortgages are in default for non-payment of taxes or insurance. This is alarming that about 1 in 5 Borrowers are in default on just this one point. In my opinion, this is entirely preventable by determining if a reverse mortgage is “right” suitable for your unique circumstances before you sign on the dotted line.

#4 Contracts carry different occupancy requirements. Federal regulations say the borrower must occupy the property as their primary residence. The Borrower can be out of their home for up to 12 consecutive months before the lender must foreclose. This includes Borrowers who do not occupy the property for any reason including physical or mental illness.

#5 The Borrower sign and return an annual occupancy certificate stating they occupy the property as their primary residence. Although the annual occupancy certificate is not a condition of the contract the lender will default the loan if it’s not returned.

#6 The property must be maintained to the lender’s standard. They will do property inspections. FOR THE BORROWER: When getting a reverse mortgage factor the home’s age to estimate what the annual repairs will cost i.e. new roof, plumbing, etc. Include it in you initial financial plan to determine if a reverse mortgage is right for you.

OTHER IMPORTANT INFORMATION

If one of the homeowners is a Non-Borrowing Spouse – did not sign the reverse mortgage, and is not on title be sure to see the Non-Borrowing Spouse page to protect your property. About 50% of Non-Borrowing Spouses do not know what they need to know and do to remain in the property for life.