

# TOL Workbook for Financial Exploitation Mini-Module

## **Reverse Mortgage Abuse**



Developed by Kevin Bigelow

**Topic:**

While reverse mortgages are a legal financial tool that allows homeowners to take out a loan against the equity in their home and to receive advance sums against the future sale of the property, some of the aspects of reverse mortgages make this an undesirable option for some seniors. In addition, some unscrupulous reverse mortgage sellers may take advantage of seniors seeking reverse mortgages in order to secure large commissions for themselves, or to outright defraud customers of their funds. In order to protect clients, it is important to understand: what reverse mortgages are, when it is appropriate to pursue a reverse mortgage, and some tactics that unscrupulous sellers may use to take unfair advantage of, or defraud senior customers.

**Objectives:**

At the end of this module, participants will be able to:

- **Describe reverse mortgages**
- **Define reverse mortgage abuse**
- **Identify reverse mortgage protections**
- **Describe the elements of the crime**
- **Identify the steps to take in an investigation**

**Activities:**

Supervisors can use this workbook to provide training for new staff or as a refresher or supplemental training to more experienced staff on reverse mortgage abuse. This information will include: defining reverse mortgage abuse; identifying reverse mortgage protections for seniors; describing elements of reverse mortgage crimes; and identifying the steps to take in investigating it.

**Suggested Readings:**

Tapping Into Homes Can Be a Pitfall for Elderly  
By Charles Duhigg, New York Times - March 2, 2008

<http://www.nytimes.com/2008/03/02/business/02reverse.html?pagewanted=all>

In Reverse Mortgages, Benefits and Pitfalls  
By Kevin L. McQuaid, Herald-Tribune - June 9, 2009

<http://www.heraldtribune.com/article/20090609/article/906091060>

Man Sentenced to Six Years in State Prison for Defrauding 86-Year-Old Woman  
in Annuity Scam  
Press Release- San Francisco District Attorney - January 8, 2010

<http://www.sfeafc.org/news/pressrelease1-11-10.html>

## **Learning Objective #1:**

### **Describe Reverse Mortgages**

A reverse mortgage is a loan against the equity an elder has built up in their home. The loan is "reversed" because instead of making monthly payments to the lender, as one would with a traditional mortgage, the lender advances sums to the elder against the future sale of the property.

To qualify for a Reverse Mortgage, the elder must be:

- 62 years or older and have paid off all or most of the original mortgage.

The amount of money the elder can borrow depends:

- their age,
- current interest rate,
- amount of fees charged,
- federal loan limit, which is currently \$625,000

Elders may be paid from the reverse mortgage in the following manners:

- A "lump sum" cash advance at closing
  - Credit line
  - Monthly cash advances
- Payments can be a combination of the 3 types of payments described above

The Reverse Mortgage comes due when:

- The elder dies
- The elder permanently leaves the home
- Or when the elder fails to:
  - Maintain the property
  - Pay property taxes
  - Pay homeowner's insurance

Reverse Mortgages may be appropriate for seniors in the following circumstances:

- Seniors do not have retirement assets
- Seniors do not qualify for lower cost alternatives to reverse mortgage
- Seniors cannot meet their current mortgage obligation

- Seniors are in foreclosure and have no other way to pay off the delinquency
- Seniors do not want to sell the home to move into a smaller residence
- Seniors do not plan on moving into assisted living in the future

Reverse Mortgages are **NOT** appropriate if the elder intends to:

- Use loan proceeds to fund a deferred annuity
- Use loan proceeds to pay for their own nursing home costs
- Not live in the home for more than 3 years
- Have less than \$100,000 in assets and want to use loan proceeds to pay spouse's nursing home costs

A number of legal protections are in place to help protect seniors from reverse mortgage abuse and to provide them with information about reverse mortgages. Some of these protections include:

- A requirement for HUD approved counseling (preferably in person) from a HUD approved counseling agency.
- The California Reverse Mortgage Elder Protection Act of 2009 requires that lenders provide the prospective borrower with a suitability checklist outlining the issues to be discussed with the HUD counselor. The purpose of this cross-selling ban is to prohibit the inappropriate sale of annuities and life insurance products using proceeds from a reverse mortgage, tax preparation or legal services.

## Comprehension Quiz:

See Handout at end of the workbook.

Understanding the nature of reverse mortgages is essential to being able to detect reverse mortgage abuse and to intervene on behalf of clients that have been, or may become victims of reverse mortgage abuse. This quiz is designed to test and reinforce the information presented above on reverse mortgages. Have staff complete the quiz using the handout located in the appendix or administer the quiz in a large group call-out. The correct answers may be discussed as a group to reinforce the information that was learned.

1. What is a reverse mortgage?
  - a. A mortgage paid to government organizations
  - b. A mortgage paid in decreasing increments to a lender
  - c. A loan against the equity an elder has built up in their home**
  - d. A loan paid to a mortgage company that they later reverse, and pay back
  
2. To qualify for a reverse mortgage, and elder must:
  - a. Be over 65 and a US citizen
  - b. Be 62 years or older and have paid off all or most of the original mortgage**
  - c. Be over 50 and be current on their income taxes
  - d. Be an honorably discharged veteran
  
3. Which of the following is NOT a determinant in how much an elder can borrow using a reverse mortgage?
  - a. The elder's age
  - b. The current interest rate
  - c. The elder's health status**
  - d. The amount of fees charged
  - e. The federal loan limit (currently \$625,000)
  
4. Which of the following is NOT a method through which qualifying elders can receive payments from their Reverse Mortgage?
  - a. A "lump sum" cash advance at closing
  - b. A Credit line
  - c. Monthly cash advances
  - d. A combination of the above three payment method
  - e. Stock options**

5. California law requires that prospective reverse mortgage purchasers receive which one of the following:
  - a. Written notice about the uses of reverse mortgages
  - b. A training class about reverse mortgages
  - c. Follow up by a reverse mortgage investigator
  - d. HUD approved counseling (preferably in person) from a HUD approved counseling agency.**
  - e. A security bond in the value of the home's equity
  
6. California law also requires that, as a safeguard, prospective reverse mortgage recipients receive which one of the following:
  - a. A book on reverse mortgages
  - b. A HUD approved personal reverse mortgage advocate
  - c. A list of California fee limits and requirements
  - d. A suitability checklist outlining the issues to be discussed with the HUD counselor**

True or False

7. A reverse mortgage may be appropriate for seniors that do not plan to move into assisted living in the future \_\_\_\_\_ **(T)**
8. A reverse mortgage may be appropriate for seniors that do not qualify for lower cost alternatives to reverse mortgage \_\_\_\_\_ **(T)**
9. A reverse mortgage may be appropriate for seniors who plan to use the proceeds to pay for their nursing home costs \_\_\_\_\_ **(F)**
10. A reverse mortgage would NOT be appropriate if the senior uses loan proceeds to fund a deferred annuity \_\_\_\_\_ **(T)**

## **Learning Objective #2:**

### **Define reverse mortgage abuse**

Reverse mortgage abuse usually consists of financial abuse predators that seek to take advantage of seniors utilizing a variety of techniques to manipulate seniors by misleading them and playing upon their fears and emotions to get them to act against their own best interests.

### **Reverse mortgage abuse includes the following elements:**

#### **1. Reverse Mortgage Predators**

- Predators use unethical techniques to mislead or defraud seniors
- Reverse Mortgage predators can be:

Brokers, insurance agents, tax planners, family members or caregivers

- An agent, who presents himself as an expert in financial matters important to seniors, may be called a “professional predator.” Professional predators can act alone or in partnership with family members, caregivers, or professional predators from another field, such as life insurance sales.

#### **2. Reverse Mortgage Abuse Techniques**

Reverse mortgage predators often use advance ‘techniques’ to groom prospective victims and to ‘soften them up’ for their unscrupulous scams. One of these techniques is to bombard seniors with a constant stream of positive messages about the product. These pitches generally take the form of television commercials and direct mail solicitations but they can also be presentations made at facilities where seniors frequent such as senior centers or at free lunch/dinner seminars.

Other techniques that predators use to sell seniors reverse mortgage products include instilling feelings of fear, anger, or greed in prospective purchasers:

- **Fear:** Predators scare elders into believing that they will outlive their assets and be unable to care for themselves in the future.
- **Anger:** Predators tell elders that the government will not take care of them because it is spending all their tax dollars on other things such as healthcare for undocumented individuals or other inflammatory issues.



- **Greed:** Predators tell elders that a reverse mortgage is a win-win solution because they will not only gain access to instant cash but they will have the opportunity to refinance for more cash in the future when the housing market recovers.

**Activity:**

See Handout at end of the workbook.

**Vignette: Mr. and Mrs. Robson**



Mr. and Mrs. Robson, both in their mid-70's, were having a difficult time financially. They had difficulty paying their mortgage and other bills each month. They had refinanced their home twice when home values were going up; and that helped temporarily, but as their expenses rose they were in financial difficulty. When Mrs. Robson fell and broke her hip, she required nursing home placement, which created further financial problems. Mr. Robson was not doing well medically, but he was determined to stay in their home hoping that his wife could rejoin him there. Mr. Robson also hoped they could leave the home to their children when they died. With less than \$30,000 equity in the home (after what they owed) they did not have enough equity to make refinancing again worthwhile.

Mr. Robson began to see advertisements for reverse mortgages. He received materials in the mail and even saw older movie stars advertising reverse

mortgages on television. He was interested and then he received a telephone call from a reverse mortgage company inviting him to a presentation that included a free dinner.

At the presentation, Mr. Robson heard from reverse mortgage sales persons including mortgage brokers and other experts in senior financial planning. They presented glowing stories about how reverse mortgages had 'saved' thousands of people in dire financial straits. Mr. Robson arranged to have reverse mortgage sellers come to his home and meet with him.

When the reverse mortgage salespeople arrived, Mr. Robson was impressed to learn that one was a mortgage broker, and the other was an insurance agent. Mr. Robson explained his situation in full. He was relieved when the mortgage broker told him that he was eligible for a reverse mortgage. He was pleased when the insurance sales person said that he could safely receive income from his house, and perhaps be able to refinance later when the market improved. Mr. Robson was also told that he could make a lot of money and ensure a bright financial future for he and his wife if he would purchase an annuity with some of the payout from his reverse mortgage.

Mr. Robson was ready to sign immediately, but the mortgage broker said that the government required that he receive counseling about a reverse mortgage. He was told that he could go listen to the 'boring' counseling session in person, or that he could 'get it over with' by receiving counseling on the phone. He agreed to counseling by phone, and was connected by phone with a woman who asked him very few questions. After that, he signed several forms saying that he had received counseling (just a 'formality' said the broker) and he signed the papers both for the reverse mortgage and for the annuity. Mr. Robson couldn't wait to tell his wife that their financial problems were over.

### **Discussion Questions:**

In a new staff orientation, or at a staff meeting, discuss the Robson's vignette, explore the following questions:

1. What techniques were used to lure Mr. Robson into signing for a reverse mortgage? *(possible answers: bombarded with media suggestions about reverse mortgages; invited to a free dinner presentation; assured his financial problems were over; encouraged to believe he would make a lot of money)*

2. What are the reasons Mr. Robson should NOT take out a reverse mortgage? *(possible answers: he and his wife have less than \$100,000 in equity in their home; Mrs. Robson is in a nursing facility and Mr. Robson may eventually need placement himself; older adults should not use reverse mortgage funds to buy an annuity; the Robsons would like their children to inherit their home)*
3. What other predators did the reverse mortgage broker partner with? *(possible answer: The reverse mortgage broker teamed up with an unscrupulous insurance salesman to mislead Mr. Robson)*
4. Was the mortgage broker a 'professional' predator? *(possible answer: Reverse mortgage presenters at the dinner presentation passed themselves off as specialists to lull attendees into a false sense of confidence about them)*
5. What other financial avenues/government programs might the Robsons have considered to help them with their financial issues? *(possible answers: SSI/Medi-Cal; In-Home Supportive Services; Prescription drug discount programs; Energy and telephone discount programs; City and County grants and low-cost home improvement loans-for special equipment or modifications to their home if needed; Small equity line of credit with manageable payments; Veterans pension that can pay for in-home care)*

### **Learning Objective #3:**

#### **Identify reverse mortgage protections**

Some of the legal protections in place to protect consumers include:

- A requirement for HUD approved counseling (preferably in person) from a HUD approved counseling agency.
- The California Reverse Mortgage Elder Protection Act of 2009 requires that lenders provide the prospective borrower with a suitability checklist outlining the issues to be discussed with the HUD counselor. The purpose of this cross-selling ban is to prohibit the inappropriate sale of annuities and life insurance products using proceeds from a reverse mortgage, tax preparation or legal services.

Counseling requirements include:

- ✓ Under AB 329, the California Reverse Mortgage Elder Protection Act of 2009, an elder must receive HUD-approved counseling prior to applying for a reverse mortgage and must be offered by the lender a list of at least 10 HUD approved nonprofit counseling agencies.
- ✓ Elders are encouraged to attend a face-to-face counseling session with a local HUD counselor even though phone counseling is permitted.
- ✓ After meeting with the HUD counselor, elders should also get a Certified Financial Planner, CPA, and/or elder law attorney to look over the loan documents to determine whether a reverse mortgage is suitable for their particular situation.

Additional legal protections include:

- ✓ Suitability / Lender Obligations:

The California Reverse Mortgage Elder Protection Act of 2009 requires that lenders provide the prospective borrower with a suitability checklist outlining the issues to be discussed with the HUD counselor.

- ✓ Annuities

The Reverse Mortgage Elder Protection Act of 2009 prohibits reverse mortgage originators from referring borrowers to anyone for the purchase of other financial products.

The purpose of this cross-selling ban is to prohibit the inappropriate sale of annuities and life insurance products using proceeds from a reverse mortgage, tax preparation or legal services.

### **Discussion Questions**

1. What are some of the reasons that counseling is required prior to committing to a reverse mortgage? *(possible answers: To provide seniors with information about reverse mortgages; to warn seniors about pitfalls and unscrupulous sellers; to caution purchasers about predatory techniques and sellers)*
2. Why may it be better to have required reverse mortgage counseling in person? *(possible answers: It would be more understandable-some seniors have difficulty processing this complex data; it would be more certain that a reputable counselor from a certified counseling organization, as is required, is providing the counseling)*
3. In the case of Mr. Robson, how might an in-person counseling session helped? *(possible answers: The counseling session would have been from a certified counseling organization, as required; the counselor could have talked about his situation and pointed out the drawbacks to his agreeing to a reverse mortgage)*
4. How would consulting with an attorney or CPA assist a potential reverse mortgage purchaser? *(possible answers: they could provide objective financial advice; they could weigh additional financial and legal factors)*

## **Learning Objective #4:**

### **Describe the elements of the crime**

Reverse mortgages are actually expensive loans that purchasers take to provide them with needed income. In reverse mortgage abuse, unscrupulous mortgage brokers manipulate unsuspecting seniors into purchasing reverse mortgages despite the fact that it is unwise for them to do so. The motivation of the reverse mortgage seller is to obtain the large commission they will receive for selling the reverse mortgage. The more reverse mortgages that they can sell, the more money they can make, even if the purchaser is fooled into taking a potentially disastrous step.

These reverse mortgage predators may also team up with other financial abuse predators that prey on unsuspecting older adults to make even more money to the detriment of their victims. For example, reverse mortgage sales persons are forbidden by law to refer reverse mortgage purchasers to annuities sales persons, however, working as a team (and concealing their relationship) unscrupulous reverse mortgage sales persons can work with annuities scam artists to not only sell a reverse mortgage, but also to get the senior to invest a large sum of money into an annuity that they do not need and probably will not benefit from.

Some of the reasons for the rapid increase in reverse mortgage sales has to do with the changing economics of our times. Mortgage brokers who used to make money selling risky forward (or traditional) mortgages have shifted their energies and attentions to the reverse mortgage market. In fact, the marketing materials for reverse mortgages that elders receive today look frighteningly like the marketing materials that were used to sell predatory forward mortgages just a few years ago.

In addition, a difficult economy and the collapse of the home mortgage market have also impacted many homeowners, especially seniors on fixed incomes. Faced with spiraling health care costs and other increasing expenses on a fixed income, the dream of a safe and secure retirement has been lost for many seniors. Desperation influences many seniors to reach out for financial assistance in areas they might have avoided in better times. These desperate people are often easy prey for reverse mortgage abuse predators and other financial predators who promise a better future.

## Discussion Questions

1. What are the financial motivations of reverse mortgage predators?  
*(possible answer: financial gain in spite of possibly causing financial disaster for their customers)*
2. What are some potential motives for other predators such as: unscrupulous tax planners, relatives, or caregivers? *(possible answers: perhaps kickbacks from reverse mortgage predators; to receive inheritance money now instead of later from aging parents; to make cash available that can be stolen or manipulated from seniors through fraud or undue influence)*
3. How did the national mortgage crisis increase the number of reverse mortgage predators? *(possible answer: Mortgage brokers who used to make money selling risky forward (or traditional) mortgages but have shifted their energies and attentions to the reverse mortgage market.)*
4. For many seniors on fixed incomes, how has the current bleak economic outlook affected the chances that they can be victimized by reverse mortgage or other financial predators? *(possible answer: In desperate financial circumstances, seniors are more amenable to taking financial risks or seeking unusual financial remedies)*

## **Learning Objective #5:**

### **Identify the steps to take in an investigation**

In any investigation, whether it begins as a financial abuse or exploitation allegation, or whether possible reverse mortgage abuse issues come to light after the investigation has begun, certain questions should be considered, these include:

- Did the elder understand what a reverse mortgage was?
- Who benefitted from the reverse mortgage?
- Was the elder coerced?
- Could the elder's needs been resolved in another way?

- 1. Did the elder understand what a reverse mortgage was?** The easiest way to determine whether the senior understood the transaction is to ask them to explain it back to you. If the senior does not understand, at least on an elementary level, what a reverse mortgage is and how it benefit's them, then it was an inappropriate transaction and a red flag that abuse has occurred.
- 2. Who benefitted from the reverse mortgage?** If someone other than the elder benefitted from the reverse mortgage, then they may be using the mortgage as a tool to separate the elder from their assets. Family members can be amazingly straightforward in stating what they hope to purchase with the funds from the reverse mortgage. Yet another warning sign that abuse has occurred.
- 3. Was the elder coerced?** If someone else pushed the senior to take out the loan, this is a red flag. It may be that they were really trying to help the elder understand their financial reality (e.g. "Mom, without Dad's social security check, you can't meet your monthly expenses any more") but it can also indicate that they had something to gain from the transaction. Please note: Brokers should not be a party to truly coercive transactions, if they are; this is a warning that they may be co-conspirators with others in the abuse.
- 4. Could the elders' needs been resolved in another way?** Seniors have been known to take out reverse mortgages:
  - to pay for their long-term care costs (which defeats the benefit of the reverse mortgage),



- to pay for home repairs that might be covered by governmental home repair loan programs,
- to pay for the nursing home costs of a spouse when the spouse's expenses may be covered by the Medicaid program,
- or to pay for a long term annuity (hardly a great choice for an elderly client!)

In some cases an equity line of credit is a more appropriate financial tool to meet the senior's needs. A reverse mortgage can be a very helpful financial instrument but only when it's appropriate to the senior's situation.

### **Steps to take in an investigation:**

#### **Step 1** – Conduct preliminary investigation, including:

- Determine the relationship of the victim and the alleged perpetrator(s).
- Interview the victim and alleged perpetrator(s) separately. Also, interview any other relevant collateral sources such as family members, caregivers, and/or other persons in the older adult's life.
- During the interview with the victim, assess them for cognitive, visual or hearing deficits. For example, does it appear the client is not tracking the conversation or is unable to read a form? Referral for a medical or neuropsychological assessment may be appropriate to determine the extent of the client's physical or cognitive deficits.
- Access reverse mortgage documents. Under the Truth in Lending Act, there is a 3-day right to rescind ("undo") the loan. Each borrower must receive two notices of the 3-day right to rescind or they get 3 years to rescind the loan. In order to exercise the right to rescind, the borrower must make a written demand for rescission. This can be accomplished either by signing and returning one copy of the Notice of Right to Rescind or by letter. The rescission demand must be in writing and delivered personally, by fax, by telegraph, or by mail. The filing of a lawsuit may also constitute notice.

#### **Step 2** - Verify that the alleged perpetrator(s) has misacted and cross-report to law enforcement and others.

- This step is based on the information gathered during your preliminary investigation.

- Remember, law enforcement is an important partner in financial exploitation cases and they may be contacted before, during or after your initial investigation depending on the intake referral and/or allegations. Law enforcement will want to know if a crime has occurred and the elements of the crime. When reporting to law enforcement remember to be specific, for example, “the victim’s signature appears to be forged on the reverse mortgage paperwork. “
- They will develop a police report that can be used to get other partners and agencies involved.
- Other agencies to contact, include your state’s: Department of Real Estate, Department of Corporations and the Attorney General. Don’t be discouraged if these agencies do not “jump” into action on your case - the information you are able to provide may be used to build a larger case against a repeat offender and keep others from being victimized in the future.

**Step 3** – contact legal counsel and/or guardian/conservator.

- If a client is still able to make decisions and your investigation reveals reverse mortgage abuse, enlist the help of a civil attorney who specializes in this type of abuse. An appropriate attorney referral can be made in California through California Nursing Home Reform’s state-bar approved elder law panel. In other states, contact your state bar.
- Partnering with legal counsel and/or guardian/conservator may be appropriate in this type of abuse investigation as they can work on the specifics that fall outside the scope of most APS practice. A guardianship or conservatorship may be appropriate if the client is deemed mentally incompetent through the appropriate medical and legal processes. A guardian/conservator can act on behalf of the client.

**Community Partners and their roles:**

- **Law enforcement** to investigate the crime
- **Department of Public Records, County Recorder's Office or Property Departments** to obtain relevant records
- **Public or Private conservators/guardians** if the victim lacks capacity
- **Legal Counsel - District Attorneys** to prosecute the perpetrator or civil attorneys who specialize in reverse mortgage abuse to assist in estate planning or sue for restitution
- **Department of Real Estate, Department of Corporations, or Attorney General** to document on a statewide level the perpetrator and crime.

## Activity

See Handout at end of the workbook.

### Vignette - Mr. Massey



Mr. Massey's daughter called Adult Protective Services and reported that her father has been a victim of financial abuse. She reported her father called her the previous night and stated that he had signed papers for a reverse mortgage. She believed her father was misled by the mortgage broker and the broker convinced him to sign papers for the reverse mortgage. She is afraid that her father will lose everything.

Mr. Massey's daughter lives in Virginia and his other children also live out-of-state. Mr. Massey's wife died two years ago after a long battle with cancer. Mr. Massey was left with a lot of medical bills after his wife died. His daughter reported that Mr. Massey is hard of hearing, and sometimes seemed confused since his wife died.

When you visit Mr. Massey, you knock on the door several times before he finally answers. He seems surprised that someone is there and says, "I'm sorry I can't hear well. I heard something, but I wasn't sure what it was." He invites you in. You talk to him about his health, his life, and his financial situation. He is aware that he signed up for a new mortgage, and he is surprised that you are concerned about this. You ask him how he picked a reverse mortgage as the option he wanted to take financially. He tells you "well...it kind of picked me." When you ask him to explain, he tells you that he kept getting phone calls about his mortgage, but that he had difficulty hearing what they were saying. "They kept saying that they could help me with money but I couldn't

understand them. Finally I heard one of them say they would come and talk to me and I said okay.”

When Mr. Massey describes the visit to his home, he tells of a man and a woman coming to talk to him about a new mortgage. Mr. Massey says “I’d never won anything before...” When you ask about this, he explains that he was under the impression that he had won some sort of special mortgage because “they both kept telling me how lucky I was.” He tells you that the reverse mortgage sales people, one of whom gave him a card reading Certified Elder Financial Specialist-Broker, told him it was his lucky day and that he could get money every month with this new (reverse) mortgage. Mr. Massey looks embarrassed and tells you “I’m embarrassed to admit it, but my wife, Lucille, always handled the finances, and I’m kind of lost without her. I finally asked them if it would cost me any more than my current mortgage, and they said it wouldn’t cost me anything, so I said sign me up!”

When you ask him about whether he received any counseling or a breakdown of the expenses or advisability of accepting the reverse mortgage, he tells you he did not. They tried to get him to talk to someone on the phone, but he couldn’t hear. Finally they said that it didn’t matter. When you explain some of the potential problems with a reverse mortgage, Mr. Massey becomes anxious and says “well then I just don’t want it.” You ask when he signed the paperwork and he can’t recall, but he says “they told me I could stop it at any time.”

You ask Mr. Massey why he wanted the extra money, and he tells you that he is still paying off his late wife’s medical bills and that he was told by his doctor that he may soon need someone to help him with household chores.. He tells you that he had hoped that he could pay for these expenses and have some money left over for my kids.

You ask to look at his loan paperwork, and he shows it to you. You look to see if there is paperwork about a counseling session, and you find there is. It is a paper stating that he has received a counseling session and has understood it. He has signed the form. You ask him about it and he says “they said it was just a formality, so I signed it.” When you find the paperwork notifying him that he has three days to cancel his loan, he tells you that he didn’t sign this or even read it. “They filled that out for me...said they were making it easier on me.” You notice that it is signed, but that the signature does not appear to be Mr. Massey’s.

It appears to you that Mr. Massey has been a victim of reverse mortgage abuse. Between his hearing difficulties and his lack of understanding about the reverse mortgage itself, you feel that a crime has been committed. In deciding what to do to help Mr. Massey, please answer the following questions:

### **Discussion Questions**

1. What factors lead you to believe that Mr. Massey was not properly informed about the nature and risks of his reverse mortgage? *(possible answers: he does not understand what it is-thinks he won a contest; he has difficulty hearing and could not understand what was told him about the mortgage; he admits to not understanding bills and finances; his daughter reports that he has been confused)*
2. Will Mr. Massey benefit from the reverse mortgage, or will someone else benefit? *(possible answer: it is unclear if Mr. Massey even understood how he might benefit from a reverse mortgage, so apparently, the sellers are the only ones with a clear benefit-one they gained illegally and by manipulating Mr. Massey.)*
3. Was Mr. Massey coerced? *(possible answers: he was not threatened, but certainly he was misled and manipulated. Legal procedures were not followed)*
4. Could Mr. Massey's needs have been met in another way? *(possible answers: In-Home Supportive Services-for his in-home care needs; Prescription drug discount programs; Energy and telephone discount programs; a small equity line of credit with manageable payments; Veteran's pension that can pay for in-home care)*
5. What community partners or organizations should you notify about Mr. Massey's situation? *(possible answers: definitely cross report to law enforcement; and consider contacting: the Dept of Real Estate, Dept of Corporations and the Attorney General)*
6. What other community resources might be able to assist Mr. Massey with his legal/financial issues? *(possible answers: A civil attorney- an appropriate attorney referral can be made in California through California Nursing Home Reform's state-bar approved elder law panel. A referral to the Public Guardian's office could be made)*

**Conclusion:**

Reverse mortgage abuse is yet another type of financial abuse that is perpetrated when dishonest and unscrupulous perpetrators use schemes to defraud unsuspecting seniors often through manipulation. Capitalizing on economically troubled times and the typical fears and desires of many seniors struggling to get by, they have found a way to take advantage of others. Worse than many other crimes these victims are unable to go back to work and rebuild their pensions, and may suffer the results of this type of financial abuse for the rest of their lives. Some will reach a point that they need residential care, only to find that their reverse mortgage may interfere with this. Many seniors are not technologically or legally savvy enough to be able to spot the scam they are falling for until it is too late.

As with so many other types of elder abuse, the APS Social Worker may be the only person that has the opportunity to learn about the abuse and therefore perhaps the only person who can help the senior avoid financial tragedy or recoup their losses. Listening, honing assessment skills, and keeping current on abuse related information will help your staff do their job better, and help those who most need your assistance.



## Handout - Comprehension Quiz

Understanding the nature of reverse mortgages is essential to being able to detect reverse mortgage abuse and to intervene on behalf of clients that have been, or may become victims of reverse mortgage abuse. This quiz is designed to test and reinforce the information presented above on reverse mortgages. Have staff complete the quiz using the handout located in the appendix or administer the quiz in a large group call-out. The correct answers may be discussed as a group to reinforce the information that was learned.

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  - d. Be an honorably discharged veteran
  
3. Which of the following is NOT a determinant in how much an elder can borrow using a reverse mortgage?
  - a. The elder's age
  - b. The current interest rate
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4. Which of the following is NOT a method through which qualifying elders can receive payments from their Reverse Mortgage?
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5. California law requires that prospective reverse mortgage purchasers receive which one of the following:



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  - b. A training class about reverse mortgages
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  - d. HUD approved counseling (preferably in person) from a HUD approved counseling agency.
  - e. A security bond in the value of the home's equity
6. California law also requires that, as a safeguard, prospective reverse mortgage recipients receive which one of the following:
- a. A book on reverse mortgages
  - b. A HUD approved personal reverse mortgage advocate
  - c. A list of California fee limits and requirements
  - d. A suitability checklist outlining the issues to be discussed with the HUD counselor

True or False

7. True or False - A reverse mortgage may be appropriate for seniors that do not plan to move into assisted living in the future.
8. True or False - A reverse mortgage may be appropriate for seniors that do not qualify for lower cost alternatives to reverse mortgage.
9. True or False - A reverse mortgage may be appropriate for seniors who plan to use the proceeds to pay for their nursing home costs.
10. True or False - A reverse mortgage would NOT be appropriate if the senior uses loan proceeds to fund a deferred annuity.

## Handout - Transfer of Learning Activity

### Vignette: Mr. and Mrs. Robson

Mr. and Mrs. Robson, both in their mid-70's, were having a difficult time financially. They had difficulty paying their mortgage and other bills each month. They had refinanced their home twice when home values were going up; and that helped temporarily, but as their expenses rose they were in financial difficulty. When Mrs. Robson fell and broke her hip, she required nursing home placement, which created further financial problems. Mr. Robson was not doing well medically, but he was determined to stay in their home hoping that his wife could rejoin him there. Mr. Robson also hoped they could leave the home to their children when they died. With less than \$30,000 equity in the home (after what they owed) they did not have enough equity to make refinancing again worthwhile.

Mr. Robson began to see advertisements for reverse mortgages. He received materials in the mail and even saw older movie stars advertising reverse mortgages on television. He was interested and then he received a telephone call from a reverse mortgage company inviting him to a presentation that included a free dinner.

At the presentation, Mr. Robson heard from reverse mortgage sales persons including mortgage brokers and other experts in senior financial planning. They presented glowing stories about how reverse mortgages had 'saved' thousands of people in dire financial straits. Mr. Robson arranged to have reverse mortgage sellers come to his home and meet with him.

When the reverse mortgage salespeople arrived, Mr. Robson was impressed to learn that one was a mortgage broker, and the other was an insurance agent. Mr. Robson explained his situation in full. He was relieved when the mortgage broker told him that he was eligible for a reverse mortgage. He was pleased when the insurance sales person said that he could safely receive income from his house, and perhaps be able to refinance later when the market improved. Mr. Robson was also told that he could make a lot of money and ensure a bright financial future for he and his wife if he would purchase an annuity with some of the payout from his reverse mortgage.

Mr. Robson was ready to sign immediately, but the mortgage broker said that the government required that he receive counseling about a reverse mortgage. He was told that he could go listen to the 'boring' counseling session in person, or that he could 'get it over with' by receiving counseling on the phone. He agreed to counseling by phone, and was connected by phone with a woman who asked him very few questions. After that, he signed several forms saying that he had received counseling (just a 'formality' said the broker) and he signed the papers both for

the reverse mortgage and for the annuity. Mr. Robson couldn't wait to tell his wife that their financial problems were over.

**Discussion Questions:**

In a new staff orientation, or at a staff meeting, discuss the Robson's vignette, explore the following questions:

1. What techniques were used to lure Mr. Robson into signing for a reverse mortgage?
2. What are the reasons Mr. Robson should NOT take out a reverse mortgage?
3. What other predators did the reverse mortgage broker partner with?
4. Was the mortgage broker a 'professional' predator?
5. What other financial avenues/government programs might the Robsons have considered to help them with their financial issues?

## Handout - Transfer of Learning Activity

### Vignette - Mr. Massey

Mr. Massey's daughter called Adult Protective Services and reported that her father has been a victim of financial abuse. She reported her father called her the previous night and stated that he had signed papers for a reverse mortgage. She believed her father was misled by the mortgage broker and the broker convinced him to sign papers for the reverse mortgage. She is afraid that her father will lose everything.

Mr. Massey's daughter lives in Virginia and his other children also live out-of-state. Mr. Massey's wife died two years ago after a long battle with cancer. Mr. Massey was left with a lot of medical bills after his wife died. His daughter reported that Mr. Massey is hard of hearing, and sometimes seemed confused since his wife died.

When you visit Mr. Massey, you knock on the door several times before he finally answers. He seems surprised that someone is there and says, "I'm sorry I can't hear well. I heard something, but I wasn't sure what it was." He invites you in. You talk to him about his health, his life, and his financial situation. He is aware that he signed up for a new mortgage, and he is surprised that you are concerned about this. You ask him how he picked a reverse mortgage as the option he wanted to take financially. He tells you "well...it kind of picked me." When you ask him to explain, he tells you that he kept getting phone calls about his mortgage, but that he had difficulty hearing what they were saying. "They kept saying that they could help me with money but I couldn't understand them. Finally I heard one of them say they would come and talk to me and I said okay."

When Mr. Massey describes the visit to his home, he tells of a man and a woman coming to talk to him about a new mortgage. Mr. Massey says "I'd never won anything before..." When you ask about this, he explains that he was under the impression that he had won some sort of special mortgage because "they both kept telling me how lucky I was." He tells you that the reverse mortgage sales people, one of whom gave him a card reading Certified Elder Financial Specialist-Broker, told him it was his lucky day and that he could get money every month with this new (reverse) mortgage. Mr. Massey looks embarrassed and tells you "I'm embarrassed to admit it, but my wife, Lucille, always handled the finances, and I'm kind of lost without her. I finally asked them if it would cost me any more than my current mortgage, and they said it wouldn't cost me anything, so I said sign me up!"

When you ask him about whether he received any counseling or a breakdown of the expenses or advisability of accepting the reverse mortgage, he tells you he did not. They tried to get him to talk to someone on the phone, but he couldn't hear. Finally they said that it didn't matter.

When you explain some of the potential problems with a reverse mortgage, Mr. Massey becomes anxious and says “well then I just don’t want it.” You ask when he signed the paperwork and he can’t recall, but he says “they told me I could stop it at any time.”

You ask Mr. Massey why he wanted the extra money, and he tells you that he is still paying off his late wife’s medical bills and that he was told by his doctor that he may soon need someone to help him with household chores.. He tells you that he had hoped that he could pay for these expenses and have some money left over for my kids.

You ask to look at his loan paperwork, and he shows it to you. You look to see if there is paperwork about a counseling session, and you find there is. It is a paper stating that he has received a counseling session and has understood it. He has signed the form. You ask him about it and he says “they said it was just a formality, so I signed it.” When you find the paperwork notifying him that he has three days to cancel his loan, he tells you that he didn’t sign this or even read it. “They filled that out for me...said they were making it easier on me.” You notice that it is signed, but that the signature does not appear to be Mr. Massey’s.

It appears to you that Mr. Massey has been a victim of reverse mortgage abuse. Between his hearing difficulties and his lack of understanding about the reverse mortgage itself, you feel that a crime has been committed. In deciding what to do to help Mr. Massey, please answer the following questions:

### **Discussion Questions**

1. What factors lead you to believe that Mr. Massey was not properly informed about the nature and risks of his reverse mortgage?
2. Will Mr. Massey benefit from the reverse mortgage, or will someone else benefit?
3. Was Mr. Massey coerced?
4. Could Mr. Massey’s needs have been met in another way?

