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## Tips on Protecting Yourself From Elder Financial Abuse

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### REVERSE MORTGAGES - BE AWARE OF THE HIDDEN COSTS

#### Reverse Mortgage - What to Look Out For

*Reverse mortgages are HIGHLY complex financial products that have serious consequences to the equity in your home. Here are some things to consider:*

**Reverse Mortgages are Loans** - With a reverse mortgage, you are borrowing the equity accumulated in your home. That loan will need to be paid back by your heirs if you pass away or the house will be sold.

**Reverse Mortgage Problems** - A reverse mortgage may cause problems if you or your heirs want to keep the home or pay back the loan.

*Some questions you should ask before entering a reverse mortgage:*

**How Much am I Borrowing?** The higher amount you borrow, the higher amount of interest you accrue every month.

**What is the Interest Rate on this Loan?** Most reverse mortgages allow the lender to adjust the interest rate to a very high interest rate or the rate changes from a low rate to a high rate after several months.

**What am I Paying for?** Reverse mortgages have higher closing costs than regular mortgages. Such costs are typically paid for using the proceeds of the loan itself. This either decreases the amount of cash available for you, or forces you to borrow more. Some expenses and costs that come with reverse mortgages include:

- Pre-existing mortgages/liens
- Origination fees or broker commissions - which can be as high as 2% of the amount borrowed!
- Mortgage insurance premiums - which can be as high as 2% of the amount borrowed initially!
- Service release premiums and loan correspondent fees

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- Recording fees, appraisal fees and other closing costs
- Repair rider fees and set-asides

**What am I *Still* Paying for?** You should know that you are still responsible for typical homeowner costs, such as:

- Property taxes
- Homeowner's insurance
- HOA fees
- Repairs to property

**Watch Out for an Annuity!** Some agents/brokers have attempted to commit sales fraud by convincing the borrower to use a reverse mortgage to buy an annuity or other insurance product. *This is a red flag.*

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### **Reverse Mortgages - What YOU Can Do to Protect Yourself**

*There are a number of things you can do to protect yourself from fraud.*

- **Research the Product**
- **Ask** what product you are buying, how it works, and how it will help you.
- **Ask** for a consumer brochure.
- **Ask** how much you are borrowing and what your interest rate will be.
- **Go over the closing costs** you will be paying for.
- **Consult websites and resources** related to senior financial planning to learn about reverse mortgages.
- **Counselor** - All HECM reverse mortgages, prior to closing, require borrowers to have a counseling session with an *independent* HUD counselor.
- **Check Broker's Credentials** - Some resources you can use to research the broker:
  - State Departments of Real Estate such as the [State of California Department of Real Estate](#)
  - SEC and [FINRA](#) (formerly NASD)
  - The internet - use any major search engine such as [Google](#) or [Yahoo!](#)

**Watch out for agents who use phony certifications** that misrepresent their actual qualifications or expertise. Always check to see if that credential is valid and matches that agent's expertise.

**Some designations you should look out for:**

- **Certified Senior Advisor (CSA)** - earned through three and a half-day course, where no college degree or prior financial experience is required.
- **Certified Retirement Financial Advisor (CRFA)** - earned through a four-day in-person or self-study course. College degree or prior financial experience is required.
- **Certified Senior Consultant (CRC)** - earned through a thirty-hour self-study course. An undergraduate degree and *one year of experience in financial service* is required.

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## Compare:

**Certified Financial Planner (CFP)** - A master of 89 topics in integrated financial planning. At a minimum, in order to earn this designation, an undergraduate degree is required, plus course training in the above topics, as well as passage of a ten-hour multiple choice exam.

*If you have already entered into a reverse mortgage, here are some things you can do to make sure you understand your loan:*

- **Read Your Loan Documents** - Below are certain loan documents you should look at under how the loan works and what you are paying for. If needed, consult a close friend/family member and reputable financial planner to help you.
- **Good Faith Estimate Form** - This estimates the amount borrowed and closing costs.
- **Total Annual Loan Cost (TALC) Form** - This estimates the total cost of the loan.
- **Settlement Statement** - This provides borrower's actual closing costs, amount borrowed, and cash amount disbursed to the borrower.
- **Adjustable Rate Note** - This explains how the loan works.
- **Opt for the Free-Look Period** - Most reverse mortgage products allow you a very short time period to rescind you loan.

*If you believe you have been a victim, here are some steps you can take in California:*

- **Contact Seniors Against investment Fraud (SAIF)**
- **Report** suspected unethical agents to the following public entities:
  - [State Department of Insurance](#)
  - [Department of Real Estate](#)
  - [Department of Corporations](#)
  - [State Bar of California](#)
- Consult an attorney

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## PREDATORY LENDERS - PAYDAY LENDERS

### Payday or Predatory Lenders Target Social Security Benefits

A large number of Americans surprisingly speculate that only young adults are having a hard time paying their bills. The prevailing opinion is that senior citizens have a significant bank account that allows them to pay all of their expenses with no dilemmas. The truth, often forgotten, is that about 75% of America's senior citizens are agonizing with troubles paying ever-rising medical expenses, medications, and the usual expenses of daily living.

The majority of senior citizens simply receive a Social Security check once a month. When the money is gone there is nothing left to spend. Predatory lenders have begun offering seniors short-term solutions that lead to devastating long-term ruin. So-called payday lenders offer high-cost, short-term loans that result in annual percentage rates of more than 400 percent. if a senior does

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not pay off the full amount of the loan at the end of the loan period (typically two weeks), he or she must pay additional fees without receiving any additional money. Too many seniors are getting caught in a cycle of payday lender debt.

## **Payday Lenders' Fraud**

### **Helpful Hints to Consider Before Obtaining a Payday Loan**

*Some of the problems that can arise with payday loans are:*

- **The loan term is short** and is often not enough time to obtain the money needed to repay the loan in full.
- **If the loan cannot be paid back in full** at the end of the term, it has to be renewed, extended, or more money has to be borrowed to cover the first loan. Fees are charged for each transaction.
- **The interest rates** that are charged are very high - sometimes 400% or higher.
- **If the lender deposits the check** to repay the loan and there are insufficient funds in the borrower's account, the borrower is hit with even more fees for insufficient funds and still owes the amount of the loan to the lender.
- **Also, be careful with auto title loans** - these are small, high-interest loans given using a car as collateral. If you default on the loan, you lose your car.
- **If you feel that a payday loan is your only option:**
  - **Do not under any circumstances agree to deposit your Social Security benefits** in a bank account suggested by the payday lender.
- **Shop for the lowest fees and penalties**, some credit unions offer payday loans with low fees.
- **Borrow only as much as you can afford to repay** with your next benefit check.
- **Know when your payment is due** and be sure to repay the loan on time and in full.

**Try to plan for the future** by creating a budget that includes an emergency fund for unexpected expenses.

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#### **About The Evans Law Firm**

*The Evans Law Firm is a plaintiffs' firm concentrating on elder abuse (physical and financial), consumer fraud class actions involving, particularly insurance and banking claims, consumer product liability and personal injury/wrongful death cases, particularly asbestos-mesothelioma, pharmaceutical product liability, negligence personal injury claims, as well as qui tam (whistleblower/false claims) and employment discrimination litigation.*

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