naf Reverse

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Reverse mortgage scams: protecting a parent from fraud, pressure and dementia risks

QUICK ANSWER

A reverse mortgage itself is not a scam. It's a loan regulated by federal and California law. The danger comes from people around the loan: salespeople who push a parent to put the money into annuities or investments, contractors who pitch it to pay for repairs, ads that make it sound like a government benefit, and anyone who rushes. Families protect a parent best by staying close to the decision, insisting on independent counseling, and knowing where to report when something feels wrong.

Key points

- **The loan is legal; pressure is the warning sign.** The FTC says if you feel pressured to finish a deal quickly, walk away.
- **Nobody can make your parent buy something else.** Federal law and California Civil Code 1923.2 bar anyone involved in the loan from requiring an annuity or other product, or referring your parent to buy one before closing or before the right to cancel ends.
- **Counseling is a built-in safeguard.** In California, your parent meets an independent HUD-approved counselor, then waits 7 days before a final application or any fee.
- **Plan ahead for memory loss.** A durable power of attorney and a trusted contact, set up while your parent can still decide, make the hard days easier. An elder law attorney can help.
- **You can report.** Anyone may report suspected financial abuse of an elder (65 or older) or a dependent adult to county Adult Protective Services or the police, and file complaints with the state and federal agencies listed below.

This page is for adult children, friends and the parents themselves. Older homeowners make sound decisions about their homes every day. Scammers go after home equity, not age, and the steps below protect anyone. This is general information, not legal advice.

Who's pushing, and what they want

These are the patterns federal regulators have warned about.

Pitch	What's really happening	Source
"Take a reverse mortgage and put the money in an annuity" (or long-term care insurance or an investment)	The other product can eat up the money from the loan, and someone earns a commission on it	FTC
"Pay for your repairs with a reverse mortgage" from a contractor, often after a storm or fire	The contractor gets paid; your parent gets a loan that grows	FTC

Pitch	What's really happening	Source
Mail or ads with eagles, seals, "government lending division" or "HUD program"	Private companies pretending to be the government. The CFPB took action against companies for this.	CFPB
"You can never lose your home," "you'll never make a payment"	Misleading. The CFPB fined lenders for claims like these. The loan comes due if the terms aren't met, and the taxes, insurance and upkeep stay your parent's job.	CFPB
"Sign today, this program won't last"	False urgency. There is no deadline that forces a same-day decision.	FTC, CFPB
A "relative," friend or new helper who suddenly wants the loan done and the money moved to them	This can be elder financial abuse. Report it.	California APS

Some property-tax scams also target older homeowners. For example, a California county tax office warned in 2026 that there is no IRS "Form 1098-SR," even though scammers claim one freezes property taxes. If a letter or caller offers a special tax form or program for a fee, check with your county tax office first.

What the law forbids (and what it requires)

- **No tie-in sales.** Under federal HECM law and California Civil Code 1923.2, no one involved in originating the loan can require your parent to buy an annuity or other financial or insurance product. They also can't refer your parent to buy one before closing, or before the right to cancel ends. Title, hazard and flood insurance are the exceptions.
- **No commissions on other products for the loan officer.** On a HECM, the loan officer may not be involved with, or get an incentive to sell, any other financial or insurance product to the borrower.
- **Independent counseling.** Counselors can't be connected to, or paid by, anyone involved in the loan or anyone selling annuities, investments or insurance. California also requires the lender to give a list of at least 10 HUD-approved counseling agencies, and your parent picks.
- **A 7-day wait.** In California, the lender can't take a final application or charge any fee until 7 days after counseling, for any reverse mortgage. See counseling near

Diamond Bar.

- **A notice in large type.** Before counseling, California requires the lender to give a printed notice in 16-point type. Among other things, it says senior advocacy groups advise against using the money to buy annuities.
- **Translation.** If the lender negotiates mainly in Spanish, Chinese, Tagalog, Vietnamese or Korean, California requires a written translation before signing (Civil Code 1632).
- **A 3-day right to cancel.** Most reverse mortgages that aren't home purchases can be canceled until midnight of the third business day after closing. See getting out of a reverse mortgage.

Private (proprietary) loans such as HomeSafe set some of their own rules, but California's counseling, 7-day wait and tie-in rules apply to any reverse mortgage. A HECM is insured by FHA, and that insurance protects the lender, not your parent. New American Funding is not acting for HUD, FHA or any government agency.

Red flags to watch for

Here's what I'd watch for:

- Someone your parent met at a free lunch, a seminar or through a cold call is suddenly driving the decision.
- The talk is about what to *do* with the money (an annuity, an investment, a "safe" account) more than about the loan.
- Your parent is told not to tell family, or family is kept out of meetings.
- The paperwork arrives already filled in, or your parent is told to sign blank pages.
- Someone offers to "handle" the counseling, or the counselor was picked for your parent.
- Money from the loan is moved to a new "helper," caregiver or relative.
- Your parent can't explain, in their own words, that it's a loan, that the balance grows over time, that taxes, insurance, HOA dues and upkeep stay theirs, and that the loan comes due when the last borrower dies, sells, moves out for good (or is away more than 12 months in a row for illness), or doesn't meet the loan terms.

How families can help, with respect

Your parent decides. Your job is to make sure the decision is theirs, made with clear information.

1. **Ask to be included.** Ask your parent whether you can join the meetings with the lender and the counselor. It's their call.
2. **Ask your parent to explain it back.** The questions are simple: What is the loan for? What happens to the balance? What bills stay yours? When does the loan come due?
3. **Read California's worksheet together.** Before counseling, California has lenders give a worksheet with five questions: who else lives in the home, the risk of falling behind on taxes, insurance and upkeep, other options, using the money for financial products, and the effect on benefits like Medi-Cal.
4. **Get everything in writing.** Costs, the payout option, and what happens when the loan comes due. See what it costs.
5. **Slow down.** The 7-day wait is there for a reason. Use it.

Memory loss, capacity and power of attorney

Signing a loan takes the ability to understand it. Whether a person had that ability on a given day is a legal question, and the answer depends on the facts. If you're worried, talk to an elder law attorney before any papers are signed.

Tom's advice: set up a durable power of attorney or a living trust while your parent can still sign. See power of attorney and conservatorship.

- **Before there's a problem.** A durable power of attorney for finances lets a trusted person act on your parent's behalf later. A trust is another tool. An elder law attorney can explain which fits. The CFPB has free guides for people named as agents, trustees and conservators. Ask any lender early whether it will accept the document you have.
- **If your parent already has a reverse mortgage and memory is slipping.** The loan doesn't change because of a diagnosis. But someone needs to keep the property taxes, homeowners insurance, HOA dues and upkeep paid, answer the servicer's yearly occupancy certification, and watch the mail. If your parent moves to care, the loan can come due after more than 12 months in a row away for illness, if

no other borrower lives there. See occupancy rules and if your parent has a reverse mortgage.

- **If you think your parent signed when they shouldn't have.** Call an elder law attorney quickly. Some rights have deadlines. For example, if the required cancel notice or disclosures weren't given, the right to cancel can last up to 3 years, but that needs a lawyer's review.

Where to report

If someone is in danger right now, call 911.

Who	What for	How
Los Angeles County Adult Protective Services	Suspected elder or dependent adult abuse, including financial abuse (Diamond Bar, Walnut, Pomona, West Covina and the rest of LA County)	1-877-477-3646 (1-877-4R-SENIORS), 24/7, or online intake at ad.lacounty.gov
San Bernardino County Adult Protective Services	Same (Chino Hills, Ontario and the rest of San Bernardino County)	877-565-2020, 24/7, or the county's secure online portal
California statewide APS line	Connects you to your county's APS by ZIP code	1-833-401-0832
Local police or sheriff	Theft, forgery, or someone taking money	Your local non-emergency line, or 911
California DFPI	Complaints about mortgage lenders and loan originators	1-866-275-2677 or dfpi.ca.gov/file-a-complaint
CFPB	Complaints about a mortgage lender or servicer	(855) 411-2372 or consumerfinance.gov/complaint
FTC	Scams, fake government mail, high-pressure sales	ReportFraud.ftc.gov

You don't need proof to call APS. Any person may report suspected abuse of an elder or dependent adult. The FTC also suggests telling the counselor, the lender or the loan

servicer if you suspect fraud. The Eldercare Locator (1-800-677-1116) can point you to local aging services.

Made-up example: *This is a made-up example. Mrs. Kwan and David are not real people.*

Mrs. Kwan, 81, lives in Rowland Heights. After a free lunch seminar, a man she met there calls her several times about a reverse mortgage. He says she should put the money into an annuity "so it grows," and that she should sign this week.

Her son David notices the brochures and asks to join the next call. The man doesn't want family on the call. David and his mother read the FTC's warning together, and she decides to walk away. They report the calls to ReportFraud.ftc.gov.

Later, Mrs. Kwan still wants to learn about her options. She picks an independent HUD-approved counselor from HUD's list and asks whether a counselor who speaks Mandarin is available.

With David in the room, she explains in her own words that it's a loan, that the balance grows, and that her property taxes, insurance and upkeep stay hers. She takes the full 7 days before deciding anything.

Do and don't

My advice:

Do

- **Do** stay involved, with your parent's permission, and ask to join meetings.
- **Do** insist on an independent HUD-approved counselor your parent chooses.
- **Do** set up a durable power of attorney with an elder law attorney while your parent can still decide.
- **Do** report suspected abuse to APS. You don't have to be sure.

Don’t

- **Don't** let anyone tie the loan to an annuity, investment or insurance purchase.
- **Don't** trust mail or ads that look like they come from the government.
- **Don't** take over the decision. The goal is to protect your parent's choice, not replace it.

Questions families ask

Are reverse mortgages scams?

No. A reverse mortgage is a regulated loan, and for some homeowners it's a reasonable choice. The scams are the pitches around it: pushing annuities or investments, contractors pitching it for repairs, fake government mail, and pressure to sign fast.

The CFPB has also fined lenders for ads that left out how the loan works. See is a reverse mortgage a good idea?

How do I check whether my parent with early dementia is being targeted by a reverse mortgage pitch?

Look for new people calling about the house, brochures or mail you don't recognize, talk about annuities or investments, urgency, and requests to keep family out. Ask your parent, gently, who they've been talking to. If someone is pushing hard, call APS, and talk to an elder law attorney about a power of attorney.

My mom has had a reverse mortgage for years and is showing cognitive decline. What happens now?

The loan stays in place as long as she lives in the home and meets the loan terms. Someone needs to keep the property taxes, insurance and upkeep paid and answer the yearly occupancy certification.

If she moves to care for more than 12 months in a row and no other borrower lives there, the loan can come due. An elder law attorney can help set up the legal authority to act for her.

Is there a legal way to challenge a reverse mortgage someone signed when they may not have been in their right mind?

Possibly. That's a legal question that depends on the facts, so talk to an elder law attorney as soon as you can. Gather the loan papers, the counseling certificate, medical records from that time, and notes on who was involved.

We think someone committed reverse mortgage fraud. What can we do?

Report it to your county APS and the police, and file complaints with California's DFPI (lenders), the CFPB, and the FTC. Tell the loan servicer, too. Keep copies of everything, and talk to an elder law attorney.

My mother-in-law wants a reverse mortgage. Should we try to stop her?

It's her decision. Help her make it well: offer to join the meetings, make sure she picks her own independent counselor, ask her to explain the loan back to you, and compare other options. If you see pressure or a tie-in to an annuity or investment, that's when to step in and report.

Sources (read November 3, 2026)

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- 12 CFR 1026.23, right of rescission: https://www.ecfr.gov/current/title-12/chapter-X/part-1026/subpart-C/section-1026.23
- 24 CFR 206.27, when the loan comes due (12 months in a row away for illness): https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206

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- HUD housing counselor search: https://answers.hud.gov/housingcounseling/s/?language=en_US



Talk with me first

I'll answer your questions and tell you plainly if a reverse mortgage isn't the right fit. No pressure.

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Personal estimate and more free guides: thereverseguide.com. Before you can apply, you'll meet with an independent HUD-approved counselor; it's required.

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