

This factsheet provides an overview of a topic, but it is not legal advice. Please consult an attorney about your particular situation.

What is a Reverse Mortgage?

A reverse mortgage is a loan against the equity that you have built in your home. Home equity is the current market value of your home minus what you still owe on it. These mortgages are only available to homeowners, ages 62 or older.

How Does a Reverse Mortgage Work?

Unlike a regular mortgage where you make monthly payments to buy your home over time, in a reverse mortgage, the lender pays you or provides you a line of credit.

Over time, the amount owed will increase as more advances are made, and interest and fees are added. Once you die, sell the home, or permanently move out of the home, the loan must be repaid. Sometimes, people are forced to sell the home to pay off the loan. Also, because the equity in your home is being converted into cash, you will not be able to leave the home to your family. Generally, the property must be titled in your name and must be your principal residence. Generally, you must own the home with a minimal amount of outstanding liens. You must also get counseling from a certified reverse mortgage counselor.

Pitfalls with a Reverse Mortgage

Property taxes and related costs. You have to continue to pay other costs related to your home. You are still responsible for property taxes, homeowner's insurance, and other property-related expenses. Often, in traditional mortgages, these costs are part of your monthly mortgage payment, but they may need to be paid independently to the local City/County, homeowner's insurance company, etc., with a reverse mortgage. Failure to maintain these fees could violate the mortgage and trigger foreclosure.

You must continue to live in your home. The entire mortgage can become due if the home is no longer your principal residence. Occupancy must be proven every year through re-certification. Failure to recertify can trigger foreclosure.

Interest and fees. You will typically have to pay several upfront costs at the beginning of the reverse mortgage loan. These costs include fees charged by a lender on entering into a loan agreement to pay for the cost of processing the loan, real estate closing costs, and a mortgage insurance premium that is in addition to your homeowners' insurance. You can use money from the loan to pay these costs, but your loan proceed will be less. Interest will also grow on the loan. The larger your loan balance and the longer you keep your loan, the larger the interest will be.

What can be left to your family members? After your death, the house can be sold so that the proceeds can be used to pay off the loan. The property likely will not be able to be left to any family members,

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unless the heir is your spouse (see below). There are opportunities for heirs to buy the property, but this can be expensive and difficult. When considering a reverse mortgage, it is important to decide if you intend to leave your home to your family.

Non-borrowing spouse. If only you signed the reverse mortgage paperwork, and your spouse did not, in certain situations, your spouse may continue to live in the home after you die. The loan can be deferred until your spouse dies, if he or she continues to pay the taxes and insurance, and maintain the property. If you are the surviving spouse of a borrower, it is very important that you contact your mortgage lender immediately.

Changing your mind. In most reverse mortgages, you have three business days after closing to cancel the loan without penalty. You must notify the lender in writing and after cancelling, the lender has 20 days to return any money that you've paid.

Things to Keep in Mind

Carefully review all of the implications when considering a reverse mortgage. Always check with a counselor or a trusted resource before rushing into a reverse mortgage. Be wary of possible fraud. Scammers, and sometimes loved ones, will try to pressure you into getting a reverse mortgage and then seeking to "borrow" the lump sum payment. Scammers can also ask you to reinvest the proceeds into some type of investment scheme or suggest a reverse mortgage as an option to pay for costly and unneeded home repairs. If you suspect that someone involved in the process may be breaking the law, file a complaint with the Federal Trade Commission (<https://www.ftc.gov/complaint>) or the Maryland Office of the Attorney General (<http://bit.ly/mdagcomplaints>). You can also call 1-888-743-0023.

Additional Resources

U.S. Department of Housing and Urban Development

HECM Program (https://www.hud.gov/program_offices/housing/sfh/hecm/hecmhome)
1(800) 225-5342

Consumer Financial Protection

Considering a Reverse Mortgage?

(http://files.consumerfinance.gov/f/201409_cfpb_guide_reverse_mortgage.pdf)

1(855) 411-CFPB

AARP Foundation

Reverse Mortgage Education Project (https://www.aarp.org/money/credit-loans-debt/reverse_mortgages/)

1(800) 209-8085

Maryland HOPE Hotline

If you are facing foreclosure on a reverse mortgage, call the Maryland HOPE hotline at 1(877) 462-7555.

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This factsheet provides an overview of how lower-income patients can reduce their hospital bills. This guide was adapted from the National Consumer Law Center. This is not legal advice. Please consult an attorney about your particular situation.

Don't Prematurely Pay Even Part of the Hospital Bill

Depending on your income, your hospital bill may be waived or reduced. **There is no downside in delaying payment:**

- The major credit reporting agencies (Equifax, Experian, and TransUnion) have agreed not to report negative information about medical bills for 6 months.
- Bills are unlikely to be immediately sent out to a collection agency, and if that happens, a simple letter from you or your attorney often will stop the collection contact.
- By federal law, a hospital cannot deny a patient emergency room services because of unpaid hospital bills. Nonprofit hospitals cannot deny any form of care for at least 120 days after the hospital bill is sent.

You can delay any payment on the hospital bill until it is determined if you qualify for financial assistance. **Never put the hospital bill on a credit card**, as you then lose the ability to negotiate for lower amounts and may get stuck paying interest on bills that were not actually owed. A hospital will almost certainly charge less interest and be more forgiving than a credit card issuer.

Determine if You Are Eligible for Medicaid

You should apply for Medicaid at the local Department of Human Services office.

In Maryland, Medicaid coverage is **retroactive to hospital bills from the prior three months** as long as you would have been eligible during that time.

If the Hospital is a Nonprofit, Understand Consumer Rights Under Federal Law

The Affordable Care Act (ACA) **requires nonprofit hospitals to have a financial assistance program**. You should ask for a copy of the program policy to see if you are eligible.

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REDUCING HOSPITAL BILLS

Apply for Financial Assistance

After determining whether your income and family size qualify under the hospital's financial assistance policy, **make sure the specific hospital procedure will also be covered** by the policy. Some procedures, such as cosmetic surgery may not be covered.

Next, find out how to apply for the assistance. You may have to provide a detailed budget, list of assets, information about family members, tax returns, or proof of income. You can **call the hospital's billing office** for more information. Do not delay applying for assistance.

What to do if Financial Assistance is Denied

If you are denied assistance, some hospitals may have an **appeals process**. Pay attention to the time allowed for any appeal.

If you ultimately do not qualify for assistance, many hospitals provide **payment plans** to pay off the debt over an extended period of time. You should never agree to a payment plan that you cannot afford or that would prevent payment of other debts.

Hospital debt should be treated as a lower priority debt compared with rent, utility, mortgage and automobile loans, and most other forms of debt. Non-payment of other debts could have serious immediate consequences, while hospital debt may have little negative effect for six months and it may be years, if ever, before a judgment is taken against you for the debt. Also, hospital debt is fully dischargeable in bankruptcy.

When a judgment is taken against you, it will be important to determine your exposure to wage garnishment and seizure of bank accounts or other property. But some low-income patients may be totally judgment proof. For more information about judgments and garnishments, please see the respective factsheets on the MVLS website at www.mvlslaw.org/get-legal-help/get-legal-information.

If you want to **file a complaint against the hospital** for denying financial assistance, you can contact the Maryland Office of the Attorney General at (410) 576-6300.

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SO YOU HAVE A JUDGMENT, NOW WHAT?

This factsheet provides an overview of what happens after a judgment is issued against you. This is not legal advice. Please consult an attorney about your particular situation.

What is a judgment?

- A Judgment is a decision by the court that you owe money to someone else.
- The person or corporation who owns your debt is called the creditor.
- The creditor asked the court to help them collect the money from you.
- The court does not collect the debt. You do not pay the court anything.
- However, the judgment is a legal decision that enables the creditor to force you to pay them.

What happens next?

- The creditor is responsible for collecting the debt.
- The creditor cannot begin to collect the debt for thirty days after the judgment.
- During that thirty day time period, you have the option to appeal, file a motion to strike, or file a motion to amend if the judgment was entered without your knowledge.
- If you don't take action within the first thirty days, the judgment becomes final.
- Once the judgment is final, you are required to pay the amount specified by the court.

What happens if I don't/can't pay the creditor?

- If you don't or can't pay the creditor, they can ask the court to garnish your wages, bank account, or seize your personal property or real estate.
- The creditor may send you questions about how much money you make and what kind of possessions you own. These questions are called interrogatories and you must answer the questions to the best of your ability and send them back to the creditor.
- You may be required to come to court again and discuss your financial status with the judge. You must go to this court date and bring proof of income. Examples of proof of income are pay stubs or letters from the government detailing any SSI, TCA, or SNAP benefits you receive.

What should I do next?

- If the debt is legitimate and you can pay the judgment amount, contact the creditor to pay.
- The creditor may be willing to setup an installment plan or agree to a post-judgment settlement. You should contact the creditor with an affordable proposal if you would like to pay off the debt in this manner.
- Keep documentation of all conversations you have with the creditor.
- If the creditor attempts to garnish your bank account or seize your property then you should complete a Motion to Release Property which can protect some of your assets from being taken.
- If you need additional assistance, contact the Maryland Courts Self-Help Center at 410-260-1392 between 8:30 am – 8:00 pm between Monday-Friday.

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MVLS GARNISHMENT

MARYLAND VOLUNTEER LAWYERS SERVICE

This factsheet provides an overview of a topic, but it is not legal advice. Please consult an attorney about your particular situation.

Once a judgment has been placed against you, a creditor will likely seek to enforce the judgment through a process called garnishment.

Creditors may seek to **garnish your assets (accounts) or earnings (wages)** allowing them to bypass you to gain access to your funds.

What can be garnished and what can be protected?

Wages: A creditor may send the court order (writ of garnishment) directly to your employer.

- Your earnings can be garnished up to 25% of your disposable income.
 - Disposable income is what is left over after deductions such as federal and state taxes, Social Security, health insurance, etc.
- You must be left with an amount equal to 30 times the federal minimum hourly wage.
- **Protected Wages:** Certain types of benefits cannot be garnished.
 - Public Assistance Benefits
 - Workers Compensation
 - Supplemental Security Income (SSI)
 - Social Security Benefits
 - State Police Pensions
 - Life Insurance or Annuity Proceeds
 - Unemployment Insurance Benefits
 - Veterans Benefits
 - Retirement Benefits

Accounts: A creditor may send the court order to your bank.

- Your bank must examine your account to see if the account has received any of the protected benefits by direct deposit in the last two months. The bank must set aside two months' worth of these protected wages to allow you to use them, but, any extra assets can be garnished or frozen.

Property:

- Creditors cannot seize and sell jointly-owned property (unless the judgement is against both of the owners of the property).
- However, creditors may choose to sell the defendant's interest in the property.

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MVLS **GARNISHMENT**

MARYLAND VOLUNTEER LAWYERS SERVICE

What you can opt into and exempt from garnishment?

- There are certain types of assets that you can protect through exemptions by notifying the court within 30 days. There is a court form for this. The Maryland Court Self-Help Center can help you fill it out. You can reach them between 8:30 a.m. – 8 p.m. Monday-Friday at 410-260-1392:
 - Up to \$6000 in cash or property of any kind
 - Up to \$5000 worth of items necessary for the practice of trade or profession (apparel, books, tools, instruments, or appliances)
 - Up to \$1000 in household furnishings, goods, clothing, appliances books, pets, and other personal items
- Money payable to garnishee from court judgments, insurance benefits, child support, and compensation because of sickness, accident, injury or death
- Professionally prescribed health aids
- Retirement plan qualified under federal tax law

If you believe your wages have been garnished wrongfully, your first step should be to contact the Maryland Courts Self-Help Center at 410-260-1392 between 8:30 am – 8:00 pm between Monday-Friday or chat online at www.mdcourts.gov/selfhelp/mcshc.

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1. The Process is Quick, Easy, and Free

- This is incorrect. The process can easily take 3 years. Private debt settlement companies are for-profit entities that charge a fee of 15%-25%.
- You make payments to the company, which go into an account.
- Only when the account has reached enough funds (including the fee to pay the debt settlement company), will the company negotiate with your creditor.
- While you are making payments into the account, your creditors are charging late fees and accumulating interest on the unpaid debt.
- Many consumers drop out of debt settlement agreements without settling their debts because it becomes unaffordable.

2. All of Your Debts Will be Resolved

- A second misconception is that a debt settlement company will be able to resolve all of your debts. This cannot be guaranteed. Many creditors choose not to work with debt settlement companies.
- If your creditor has the policy to not work with a debt settlement company, then there can be no negotiations. Additionally, your creditor does not have to agree to the debt settlement company's lower lump sum payment.

3. You Cannot Be Sued

- Debt settlement companies tell you to pay them instead of your creditors, but they do not reach out to your creditors until the escrow account has the agreed balance. Your creditors don't have to wait for payment. They can sue you when they decide.

4. The Debt Settlement Company Will Provide Someone to Assist You in the Lawsuit

- When you are sued by a creditor and have engaged the services of a debt settlement company, there is a belief that the debt settlement company will help you with the lawsuit. This is a misconception. People working for the debt settlement company are generally not attorneys. Some companies have attorneys on staff, but those attorneys do not go to court with you.
- You won't have anyone from the company to assist you in the lawsuit. Any advice that they give you may make the situation worse.

5. No Negative Credit Impact

- Debt with missed payments or where the creditor accepted a settlement have a negative impact on credit ratings. This could affect your future loan terms, credit availability, employment opportunities, and more.

6. Debt Settlement Will Not Impact Your Taxes

- If a creditor agrees to settle your debt in exchange for less than the full amount, you may owe taxes on the savings. For example, if you owe a creditor \$10,000 and they settle for a one-time payment of \$7,500, the balance of \$2,500 is considered taxable income.
- If the settlement results in a debt reduction of \$600 or more, the creditor is required to notify the IRS.

This is not legal advice. To get free legal help with Bankruptcy:

WWW.MVLSLAW.ORG/APPLY

Or call intake between 9 a.m. and 12 p.m. on Monday through Thursday at 1(800) 510-0050 or (410) 547-6537

When Is It Alright To Work With A Debt Settlement Company

It can be difficult to get out from under overwhelming debt on your own. If you have money to help resolve your debts, but not the total amount owed, a debt settlement company can work with your creditors to accept a smaller amount than what you owed. However, due to the downsides, there are better places to start.

Negotiating Your Debt, Yourself

You can negotiate directly with credit card companies and other lenders. There is no guarantee the companies will accept your offer, but if they do, that is a considerable savings for you.

- If you have medical debt, nonprofit hospitals must have financial assistance plans. If you have medical debts, ask if they have financial assistance and if you qualify.
- Explain why you're having trouble paying and ask if they will accept less, waive old fees, lower your interest rate, or give you an affordable payment plan.
- State and federal laws protect some types of income from most debt collectors. If your only income is social security and you don't own property or lavish goods, you may not have to pay at all. Get legal advice to find out if this applies to you.
- If job loss, illness, injury, death of a family member, divorce, or other hardship prevented you from paying your debts, creditors may delay collection, accept a lower amount, or offer more affordable payment options.

If you want to negotiate your debt yourself, but need some financial advice, start with nonprofit credit counseling. Nonprofit organizations will help you work out your budget and look at options. Starting with a nonprofit credit counselor for free (or low cost) financial advice can be a great way to start working on your debt.

Bankruptcy

Bankruptcy is a way to eliminate or manage your debts through the courts.

There are two kinds:

1. Chapter 7 forgives most debts and stops collection actions instantly. Most consumers get to keep the things they own.
2. Chapter 13 includes a plan to repay creditors a portion of what is owed. It takes 3 to 5 years to complete, though consumers are protected from collection during that time

Bankruptcy is a good choice for many people with overwhelming debt. Most bankruptcy attorneys will meet with you for free for the first time.

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What is debt consolidation?

Debt consolidation is the process of combining multiple debts into one new loan. A single monthly payment on that new loan will then go towards all the combined debts.

Pros and Cons of Debt Consolidation

Pros:

- You may receive a lower interest rate on the new loan, meaning you will pay less interest over time.
- If you do receive a lower interest rate, you may be able to pay the consolidated loan off faster.
- You will only have one monthly payment, making it easier to keep track of payments and budget.
- So long as payments are made on time, debt consolidation can lead to a higher credit score as you pay off several lines of credit.

Cons:

- Higher credit scores typically receive lower interest rates while lower scores receive higher rates.
- Falling behind on payments towards a consolidation loan could lead to more debt than you started with due to late fees and a damaged credit score.
- Consolidating your debts may come with additional fees outright.
- Debt consolidation is not a solution to recurring debt problem.

Is Debt Consolidation Right for You?

Yes, if:

- You have a higher credit score than when you applied for the original loans, meaning you may qualify for a lower interest rate. This can help you save on interest, allowing you to pay less overall and pay off your debts faster.
- You have enough income to cover the cost of the new monthly payment in addition to your usual monthly expenses.
- You have enough debt to make consolidation worthwhile, but not so much debt that it affects your eligibility for a loan or lower rates.

No, if:

- Your credit score has not improved since applying for the original loans, and you likely will not qualify for a lower interest rate. Without a lower rate, it would not be as beneficial to consolidate.
- Your debt is too small or too large. Many lenders require higher rates for large amounts of debt, or they will reject the loan. On the other hand, if your debt is small and manageable, consolidation will not be worthwhile.
- You expect to continue accumulating debt.
- The root cause of your debt is lack of income or lack of budgeting.

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What to Do:

- Meet with a certified counselor to discuss your debt and organize a budget. Nonprofit counseling services such as the Consumer Credit Counseling Services of Maryland (CCCSMD) provide free or low-cost financial counseling. A counselor will help you determine the best next steps for your situation.
- If debt consolidation is not the best option, you may want to meet with a bankruptcy attorney. Many bankruptcy attorneys offer free consultations. You may also qualify for free or reduced legal services at nonprofit legal service organizations.

Things to Keep in Mind:

- Home Equity Loans: Using a home equity loan for debt consolidation can produce the same benefits as personal loans. However, you risk losing your home to foreclosure if you are unable to keep up with the payments. Additionally, home equity loans may come with additional fees, such as closing costs and appraisal fees.
- Student Loans: Consolidating student loans can be much more complicated and can have several risks associated with it, such as no longer being eligible for certain loan forgiveness benefits. If you would like to consolidate student loans, get specific advice based on your situation from a nonprofit counselor.



TO COSIGN OR NOT TO COSIGN?

Cosigning is taking on the responsibility to pay back the loan if the borrower does not pay for *any reason*.

Why does someone need a cosigner? Having a cosigner is very helpful to the borrower. A lender may refuse to lend to them unless they have a cosigner, and it may reduce their interest rate.

This is not legal advice. Please consult an attorney about your particular situation.

SHOULD I COSIGN?

There is very little benefit in cosigning and a lot of risk, so be very careful.

A friend, spouse, child, or grandchild may ask you to cosign. Before saying yes, consider the risks.

- If the borrower does not make the payments ***for any reason, you will be liable!***
 - The lender can sue you for the money *before suing the borrower* and they usually will because you have the better credit score and are more likely to pay.
- Your credit history will be negatively affected.
- The lender can also sue you for interest, late fees, and collection fees. The lender may be able to garnish your wages.
- Sometimes, taking on too much credit will make lenders unwilling to lend to you.
- It is *very difficult* to get out of the cosigned loan.
- For example, if you cosigned for your spouse, a divorce will not free you from the debt.
- If you settle the loans with the lender, the IRS will consider the forgiven amount as “debt forgiveness income”, which can be taxed.
- Cosigning can very easily damage relationships.

THINGS TO DO BEFORE COSIGNING:

- Know why the person is borrowing the money.
- Know what your legal and financial obligations are going to be, including the monthly payment, the interest rate, etc.
- Set aside money to repay the loan in case the borrower stops payments.
- Maintain open and constant communication with the borrower. Once the lender contacts you, your credit history has already been damaged.
- Have access to the loan account, and monitor it to ensure payments are being made on time.
- Sign an agreement with the borrower, stating that they will pay you back if they default.

For more legal information, visit our website:

mvslaw.org/get-legal-help/get-legal-information/

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What is Bankruptcy Bypass?

Bankruptcy Bypass is a service for MVLS clients who are considering bankruptcy to get rid of creditor harassment, but who may be “collection proof”. Being collection proof means that you do not have any money or property that creditors can take to pay your debt. A volunteer attorney will meet with you to see if there is collectible money or property. If not, MVLS will contact each creditor telling them there is no point in demanding money from you. When they receive these letters, creditors know the game is up. They usually stop with their harassment.



Our Results

MVLS's past Bankruptcy Bypass clients have experienced substantial decreases in creditor harassment. Many avoid bankruptcy in the long term. Most of all, they are now enjoying greater peace of mind.

The Aftermath

If you stop being “collection proof,” we can help you figure out if bankruptcy is the best option for you. If you experience further creditor harassment, we can provide the legal help you need.

Call MVLS

(410) 547-6537 or (800) 510-0050
Monday—Thursday
9:00am to 12:00pm

Apply Online

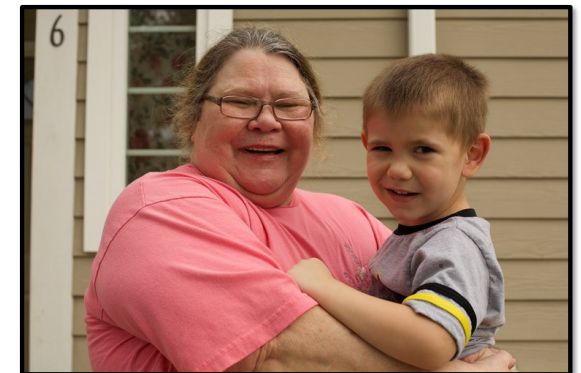
www.mvlslaw.org/apply



Maryland Volunteer
Lawyers Service (MVLS)

Bankruptcy Bypass

End creditor harassment while
avoiding the trouble and cost of
bankruptcy.





The Benefit

Bankruptcy is expensive—it costs \$338 in fees. It is a long and somewhat difficult court process. If you get a bankruptcy, you lose the right to file bankruptcy again for the next 8 years. It's best to only go through bankruptcy if you absolutely need to. Through Bankruptcy Bypass, MVLS will likely be able to stop creditor harassment without you needing to go through the trouble and expense of bankruptcy.

Why it Works

As you may know, debt collectors can garnish some types of income and assets. Garnishment means that they take assets or a percent of your income after suing you. However, Maryland law protects certain types of income and assets from being garnished. For example, disability benefits and social security cannot be garnished. You can keep up to \$6,000 in savings. There are several other categories of exempt income and assets. If all of your income and assets are protected, the creditor has no claim to anything of yours.

MVLS chose you for Bankruptcy Bypass because we think you may have no collectible income or assets. Your creditor may know this is the case, but they don't know you know that. When they get a letter from MVLS, they will see that you have consulted with an attorney, so it's not worth their effort to try and intimidate you into paying up.



The Legal Help

The attorneys who volunteer with this program have all been specifically trained in Bankruptcy Bypass. When you meet with your attorney, they will go over all your income and debts. They may want to learn more about the creditor harassment you have been experiencing. They will determine that you are collection proof. (If not, you may be diverted to bankruptcy.) Then, MVLS will send personalized letters to each of your creditors based on the information gathered by the volunteer attorney.