MYTHS
About Reverse Mortgages

Reverse mortgages have evolved from a needs-based product to a product many financial planners recommend as an important component of a comprehensive retirement plan.

Below, the myths are separated from the facts.

Myth: The bank owns the home.

Fact: The homeowner always maintains title ownership and control of their home, and they have the freedom to decide when and if they'd like to move or sell.

Myth: Those with a reverse mortgage will owe more than their house is worth.

Fact: HomEquity Bank's conservative lending practices allow clients to take a maximum of 55% (33% on average) of the home's appraised value. In fact, 99% of HomEquity Bank's clients have equity remaining in the home when the loan is repaid.

Myth: Reverse Mortgages are too expensive because the rates are high.

Fact: HomEquity Bank rates are modestly higher than regular mortgages because there are no payments required. HomEquity Bank offers rates as low as prime +1.25%*.

Myth: A reverse mortgage is a solution of last resort.

Fact: Many financial professionals recommend a reverse mortgage because it's a great way to provide financial flexibility. Since it's tax-free money, it allows retirement savings to last longer.

Myth: A Home Equity Line of Credit (HELOC) is a better option.

Fact: HELOCs are a good short-term borrowing option for people who can pay the interest and loan in the near future. However, HELOCs are callable loans and there exists significant risk of non-renewal or cancellation.

In comparison, a reverse mortgage is a long-term financial solution that won't be called based on economic changes such as interest rates increasing, property values decreasing, or a change in the homeowner's income. Also, money from a reverse mortgage provides the ability to prolong retirement savings.

Myth: A steady income or good credit is required to be approved for a reverse mortgage.

Fact: Credit score or income verification is not required to qualify for a reverse mortgage. The amount of money the homeowner is eligible for is based on their age, spouse's age, location of the home, type of home, and the home's appraised value.

Myth: The bank can force the homeowner to sell or foreclose at any time.

Fact: A reverse mortgage is a lifetime product, and as long as property taxes and insurance are in good standing, the property remains in good condition, and the homeowner is living in the home, the loan won't be called even if the house decreases in value. Reverse mortgages provide peace-of-mind that the homeowner can stay in their home as long as they'd like.

Myth: The homeowner cannot get a reverse mortgage if they have an existing mortgage.

Fact: Many of our clients use a reverse mortgage to pay off their existing mortgage and debts, freeing up cash flow for other things.

Myth: Surviving spouses are stuck paying the loan after the homeowner passes away.

Fact: Surviving spouses can choose to remain in the home without having to make a payment unless they choose to sell the home.

*Accurate as of April, 2015.
Some restrictions may apply.

FREQUENTLY ASKED QUESTIONS

About Reverse Mortgages

A reverse mortgage from HomEquity Bank is a smart way for seniors to access the equity they've accumulated in their home as tax-free cash. Despite the fact that reverse mortgages have been in Canada since 1986, there is still a lot of misunderstanding.

Here we address some commonly asked questions.

Will the homeowner owe more than the house is worth?

The homeowner keeps all the equity remaining in the home. In our many years of experience, over 99% of homeowners have money left over when their loan is repaid.

The equity remaining depends on the amount borrowed, the value of the home, and the amount of time that's passed since the reverse mortgage was taken out.

Will the bank own the home?

No. The homeowner retains title and maintains ownership of the home. It's required for the homeowner to live in the home, pay taxes on time, have property insurance, and maintain the property in good condition.

Will the homeowner be eligible if they have no income or poor credit?

Yes! Credit score or income verification is not required to qualify for a reverse mortgage. The amount of money the homeowner is eligible for is based on age, spouse's age, location of the home, type of home, the amount of secured debt, and the home's appraised value.

Should reverse mortgages only be considered as a loan of last resort?

No. Many financial professionals recommend a reverse mortgage to supplement monthly income instead of selling and downsizing, or taking out a conventional mortgage or a line of credit.

What fees are associated with a reverse mortgage?

There are one time fees to arrange a reverse mortgage such as an appraisal fee, fee for independent legal advice as well as our fee for administration, title insurance, and registration. With the exception of the appraisal fee, these fees are paid for with the funding dollars.

What if the homeowner can't afford payments?

There are no monthly payments required as long as the homeowner is living in the home.

What if the homeowner has an existing mortgage?

Many of our clients use a reverse mortgage to pay off their existing mortgage and debts.

Some restrictions may apply.