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.

For any additional questions, please contact me at:

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

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