REVERSE MORTGAGE Group

Common Reverse Mortgage Myths

Myth 1: I won't qualify for a reverse mortgage because of my limited income.

FALSE. Most traditional mortgages require income qualifications and have a monthly payment. Although the HECM (Home Equity Conversion Mortgage) reverse mortgage does require a financial assessment to insure that the senior can pay their property taxes, home owners insurance and normal, daily expenses. It is easier to qualify for a HECM loan and there are no monthly mortgage payments. Many seniors who don't qualify for traditional mortgages are eligible for a reverse mortgage.

Myth 2: If I take out a reverse mortgage the lender will own my home.

FALSE. Homeowners still retain title and ownership to their homes during the life of the loan, and can choose to sell the home at any time. As long as the borrower continues to live in, maintain the home, and property taxes and homeowners insurance are paid, the loan cannot be called due.

Myth 3: There are restrictions on how reverse mortgage proceeds may be used.

FALSE. There are no restrictions. The cash proceeds from the reverse mortgage can be used for virtually any purpose. In fact, Borrowers should be cautious of lenders attempting to cross sell other products. Many seniors have used reverse mortgages to pay off debt, help their kids, make ends meet or to have a financial reserve.

Myth 4: I cannot get a reverse mortgage if I have an existing mortgage.

FALSE. If your house isn't paid off, the proceeds from the reverse mortgage pay off any existing mortgages.

Myth 5: My children will be responsible for the repayment of the loan.

TRUE, JUST LIKE ANY OTHER MORTGAGE. If the borrower decides to sell the home or an heir wants to retain the property after the borrower passes, the loan balance must be paid in full. However, as long as the borrower or their estate sells the property to pay off the debt, there is no recourse even if the HECM loan balance exceeds the home's value. This is just like any FHA loan in California. Any equity remaining in the property after the reverse mortgage is retired belongs to the borrower or their estate.

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Myth 6: Only low-income seniors get reverse mortgages.

FALSE. Although some seniors may have a greater need than others for the monthly proceeds or lump sum funds reverse mortgages offer, most simply prefer to be free of monthly mortgage payments. Without a payment, many homeowners find they can improve their existing quality of life ***and*** build their savings to help with future expenses. A growing number of people who have no immediate need secure reverse mortgages as an "insurance policy" and so that they have a financial cushion for future expenses.

Myth 7: If I outlive my life expectancy, the lender will evict me.

FALSE. Reverse mortgage lenders put no time limit on how long borrowers can stay in their home. Since homeowners still own the property, lenders cannot evict them as long as the borrower continues to live in and maintain the home, and property taxes and homeowners insurance are paid. And because HECM loans are "non-recourse," you and your home are safe even if the home value drops below the loan balance.

Myth 8: A reverse mortgage will affect my government benefits.

MOSTLY FALSE. A reverse mortgage generally does not affect regular Social Security or Medicare benefits. However, if you are on Medicaid, any reverse mortgage proceeds that you receive would count as an asset and could impact Medicaid eligibility. To be sure, we always recommend that potential borrowers consult their federal benefits administrators or financial advisors.

Myth 9: There are no objective advisors available to counsel seniors trying to decide if a reverse mortgage is a smart decision.

FALSE. Borrowers are required to complete independent, third-party counseling approved by the U.S. Department of Housing and Urban Development (HUD). This local educational session allow them to ask questions and helps them make the right decision for their unique situations.

Myth 10: Reverse mortgage lenders took advantage of seniors.

TRUE. However, in 2013 Seniors who fell victim to reverse-mortgage-lending schemes are now the extreme exceptions. As with any mortgage you should only work with a reputable lender. We also recommend that you protect yourself by conducting as much research as possible and by consulting government agencies, financial advisors, and the National Reverse Mortgage Lender's Association (NRMLA).

It's safe. It's easy. And it could be the perfect solution. Call one of our Reverse Mortgage Experts to learn more.

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