

Misconceptions of Reverse Mortgages: Myth versus Fact

MYTH #1: The lender or government will own your home.

FACT: You or your estate continue to retain ownership of your home's title. The lender does not take control of the title. The lender's interest is limited to the outstanding loan balance as a lien on the property.

MYTH #2: The reverse mortgage requires that I make monthly mortgage payments.

FACT: There are never any monthly mortgage payments. The borrower is responsible for payment of property taxes, insurance, applicable HOA dues, and general upkeep of the home.

MYTH #3: My children will be held responsible for the repayment.

FACT: The reverse mortgage is a *non-recourse* loan. The lender can only derive repayment of the loan from the proceeds of the sale of the property. Even if the value of the home is dramatically reduced, you or your estate can never owe more than the value of the home. Although your heirs will not be responsible for repayment, they have an option of repaying the loan and buying the house for themselves.

MYTH #4: To qualify, my home must be debt free and paid off "Free & Clear."

FACT: You can have a mortgage or other debt on your home's title as long as you have adequate equity in the property. The mortgage or debt, however, must be paid off with the proceeds of the reverse mortgage. In fact, many clients obtain a reverse mortgage for this reason – to get rid of their monthly mortgage payments.

MYTH #5: Reverse mortgage lenders just want to sell your house.

FACT: You may remain in the home for as long as the terms are met. Should you decide to sell the home or move out, the loan would then become due and payable.

MYTH #6: If I do a reverse mortgage, I will leave nothing for my kids.

FACT: It is possible the value of your property may appreciate over your lifetime. Interest will accrue on the outstanding loan amount and be added to the balance. The difference is *retained equity*, and what may be available to leave for your kids*. Consult amortization tables for details.

MYTH #7: If I get a reverse mortgage, I cannot sell my home.

FACT: The reverse mortgage is like any other loan. If you sell your home, that reverse mortgage will be paid off at closing. There are no prepayment penalties for paying off or selling the home in advance.

MYTH #8: If my lender or servicer changes, my loan terms can change.

FACT: The terms of the loan are defined at closing and cannot be changed by law as long as the deeds remain in force.

*property value and ending loan balance subject to change. There is no guarantee there will be equity left for heirs.