Reverse Mortgage Myths & Misunderstandings

Most people do not realize that the Reverse Mortgage product has been around since 1961. It was relatively unregulated until 1988 when the Federal Department of Housing and Urban Development (HUD) introduced the Home Equity Conversion Mortgage (HECM) program to give seniors an option with some protection and oversight.

It took another 25 years before significant improvements were made to this program. Between 2013 and 2015 very important changes were made.

Although many of the myths and misunderstandings related to Reverse Mortgages may have a basis in fact, rooted in the products that were offered prior to 1988. They no longer apply to today's reverse mortgage products and opportunities. Today's Reverse Mortgage products have come a very long way since 1961.

Here are some examples of some of the Myths that get in the way of people taking advantage of Reverse Mortgage opportunities and benefits.

Myth	Reality
"Reverse Mortgage" have to be reverse mortgages.	Although they are called "Reverse Mortgages" they are actually Reverse *Option* Mortgages. Borrowers have the option to defer monthly mortgage payments, but payments are allowed. They can pay interest, principal, or the entire balance at any time they choose.

You have to be 62 years old to do a Reverse Mortgage.	We now have many proprietary options that allow borrowers down to the age of 55.
Reverse Mortgages are only available in areas with lower house prices.	Our Proprietary Reverse Mortgage programs can accommodate higher-value homes and loan amounts up to $4 million.
You can't use a Reverse Mortgage to purchase a house.	This is actually one of the most strategic uses of a Reverse Mortgage. It allows seniors to purchase a house that better suits their needs with the freedom and flexibility of no monthly mortgage payment requirement.
Reverse Mortgages require you to pay off your current mortgage, which may be at a very favorable rate.	Traditional Reverse Mortgages are generally first-lien loans, but our Reverse Second program allows homeowners an option to keep an existing first mortgage in place.
You are signing your house over to the bank in exchange for a small amount of the equity.	You maintain ownership of your home just like a standard mortgage, and any equity over the mortgage balance is still your equity.
You can't keep your home in a trust.	Eligible trusts may hold title to a home with a Reverse Mortgage, and in some cases, a home may be transferred into a qualifying trust after closing.
You can't sell your home and move if you have a Reverse Mortgage on it.	You own the home and may sell it at any time. The Reverse Mortgage is repaid from the sale proceeds, and you may be able to use another Reverse Mortgage to purchase your next home.
It is best to work with a lender that ONLY offers Reverse Mortgages.	A Reverse Mortgage is not the best fit for everyone. Working with a lender familiar with both Reverse and

	traditional mortgage options can help ensure that you are directed to the financing solution that best fits your needs.
It doesn’t make a difference which Reverse Mortgage loan officer you work with.	It is particularly important on this product that people work with someone they can trust to give them honest answers and advice. Whenever possible, I would suggest that borrowers rely on personal referrals when looking for a Loan Officer to assist them with these loans.
Reverse Mortgages will drain all your equity.	Today’s programs limit how much equity can initially be accessed. Depending on home appreciation, loan growth, and borrower choices, substantial equity may remain over time.
Your family will lose their inheritance.	You retain title to the home and may leave it to your heirs. Any equity remaining after the Reverse Mortgage is repaid belongs to the estate or heirs. Many financial advisors are now incorporating reverse mortgages into financial plans in ways that allow the overall inheritance received by the heirs to actually increase through the strategic utilization of these mortgage products.
Reverse Mortgages are a scam.	Early Reverse Mortgage products had limited oversight. Today’s Reverse Mortgage products are very highly regulated. There are many processes and restrictions in place to ensure that consumers are being protected and are able to take full advantage of the benefits these programs offer.

Your heirs will be personally responsible for repaying the loan.	Heirs are not required to repay a Reverse Mortgage. They may sell the home and keep the proceeds that exceed the loan balance, keep the home by satisfying the loan, or allow the lender to take possession under the loan terms.
Your home must be in excellent condition to qualify for a Reverse Mortgage.	Since our team has extensive experience with renovation and construction financing, this is an area that we are very prepared to assist you with. Funds from Reverse Mortgage can be used for necessary repairs, and they can also be used for elective upgrades and remodels.
Reverse Mortgages should only be used as a last resort.	Although Reverse Mortgages *can* be used to help seniors deal with budget shortfalls, many seniors use them to increase their enjoyment and satisfaction in their golden years. In addition, retirement-planning research has shown that, when used strategically, a Reverse Mortgage can be incorporated into a broader retirement-income plan rather than reserved only for emergencies.
A Reverse Mortgage only helps with the monthly housing expense.	Proceeds may also be used for other financial priorities, such as paying higher-interest debt or funding home improvements that may reduce insurance, utility, or other household expenses.
If only one spouse is on the loan and dies, the surviving spouse must move out.	When dealing with a spouse who doesn’t meet the age requirement to be on the loan, we recommend the HECM program. This allows eligible non-borrowing spouses to remain in the home without triggering a loan repayment requirement.

You cannot use a Reverse Mortgage to build an Accessory Dwelling Unit (ADU)	Multi-generational housing opportunities like the addition of an ADU can actually be one of the most strategic ways to benefit from a Reverse Mortgage.
You cannot live in an Accessory Dwelling Unit (ADU) and allow someone else to occupy the primary residence if you have a Reverse Mortgage.	We have extensive experience with assisting clients in financing ADUs. Over the years, we have assisted many seniors who wanted to move into an ADU and allow their family to occupy their primary home. Although it is correct that not all Reverse Mortgage products will allow this, we do have options for seniors who want to occupy an ADU that is funded with a Reverse Mortgage.
Reverse Mortgages Are Too Expensive.	Costs vary by product. HECM loans include upfront mortgage insurance, while proprietary programs may not. Costs should be weighed against the benefits, alternatives, and borrower's objectives.
A Reverse Mortgage reduces your financial security.	In many cases, a Reverse Mortgage can actually *increase* financial security. In fact, many financial planners are now strategically incorporating them into the overall planning for their clients. A Reverse Mortgage line of credit can increase financial flexibility. On eligible HECM credit-line products, available funds are not reduced due to home values declines, and unused credit-line capacity grows over time.
A Home Equity Line of Credit is a better option for major unanticipated expenses.	During the economic crisis from 2008-2012 many homeowners were surprised when their HELOC was suddenly cancelled or frozen due to a shift in housing values. This wouldn't occur with a HECM Line of Credit,

	which cannot be frozen or cancelled as long as the borrowers are meeting the terms of the loan.
You can’t get a Reverse Mortgage if you already have a mortgage on your house.	A Reverse Mortgage can be used to pay off an existing mortgage. However, for borrowers who would prefer to keep their current mortgage in place, we offer a Reverse Second program that lets them access some of the additional equity in their home.
To qualify for a Reverse Mortgage, both spouses have to be over the age of 62.	Some proprietary programs are available beginning at age 55. Although the HECM programs require a minimum age of 62, the loan can still be done if one spouse is below that age with special rules and considerations for the non-borrowing spouse.
You can’t pay off a Reverse Mortgage early.	You may repay part or all of a Reverse Mortgage at any time without a prepayment penalty. Some line-of-credit products may also allow repaid principal to become available to access again, subject to program terms.