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 HECM Reverse Mortgage program to give seniors an option with some protection and oversights. Although there were a few updates and improvements made after 1988, it took another 25 years before significant improvements were made to this program. Between 2013 and 2015 very important changes were made. Most 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. The major overhauls continued between 2013 and 2015. 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
The name "Reverse" Mortgages	In reality, these are "Reverse *Option*" mortgages. Although they give borrowers the flexibility to defer the payments, they are certainly allowed to pay the interest monthly just like a forward mortgage. It is only a "Reverse Mortgage" if the borrower(s) utilizes that option.
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.	We now have Reverse Mortgage products that allow loan amounts up to $4,000,000.
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 *required* monthly payment.
Reverse Mortgages require you to pay off your current mortgage, which may be at a very favorable rate.	We now have a very advantageous second loan reverse mortgage product for people down to the age of 55. This product allows them to keep their current first mortgage in place if they would prefer to do that.
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.	Not only are you allowed to do a Reverse Mortgage on a property that's in a trust, but you can even put one into a trust after closing on a Reverse Mortgage.
You can't sell your home and move if you have a Reverse Mortgage on it.	A Reverse Mortgage is no different than any other mortgage in this regard. You own your home and you can sell it anytime you decide to. You can even pay off your current Reverse Mortgage in your sale and use a new Reverse Mortgage to purchase a home that is closer to family, more accessible, or better serves your evolving housing needs in some other way.
It is best to work with a lender that ONLY offers Reverse Mortgages.	This is a great option for a lot of people but it isn't the best fit for everyone. It is important that you talk with someone who is knowledgeable in all products and has the ability to offer you the product that best meets your individual needs.
It doesn't make a difference what Reverse Mortgage loan officer you work with.	Although many loan officers have access to this product, very few are willing to make the significant time commitment needed to learn all the nuances necessary to ensure that they're directing seniors to the most advantageous product and structure for their individual situation.
Reverse Mortgages will drain all your equity.	This is another concern that has been addressed with the improvements that were made to the program. They are now restricting the amount of equity that can be

	loaned on these products to help ensure that property appreciation has a greater chance of keeping pace with increases to the loan balance.
Your family will lose their inheritance.	When you take out a Reverse Mortgage, you still hold the title to the property. This means you can still leave your home for your family. Many financial advisors are now incorporating reverse mortgages into financial plans in ways that allow the overall inheritance received by the heirs to actually be increased through the strategic utilization of these mortgage products.
Reverse Mortgages are a scam.	The original Reverse Mortgage products that were introduced in 1961 were unregulated and had very little oversight. Today's Reverse Mortgage products are very highly regulated at the federal level. 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.
My Heirs Will be Responsible for Repaying the Loan.	One of the protections that was added to these products recently greatly reduces the chances that a homeowner could end up owing more than the home is worth. Generally, even if they elect not to make any payments on the loan, the home value appreciation will outpace the loan balance growth. When heirs inherit a house that has a Reverse Mortgage on it, they have four options: 1) **Selling the home** and keeping the equity that exceeds the loan balance payoff. 2) **Keeping the home** and paying it off with other assets or a refinance.

	3) **Signing the title over to the lender** and the lender will take care of selling the house. 4) **Doing nothing** in which case the lender will go through the process to acquire ownership and sell the home. Under no circumstances are heirs ***obligated*** to keep the home or pay off the loan.
Your property has to be in very good condition to qualify for a Reverse Mortgage.	Actually, a Reverse Mortgage can be used to address property condition issues. Some of the funds from the Reverse Mortgage can be used to make necessary repairs. 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.	According to a report published in the Journal of Financial Planning, when managed and used responsibly, a Reverse Mortgage can effectively contribute to a retirement portfolio. Renowned retirement income expert, Dr. Wade Pfau, emphasizes that Reverse Mortgages can be used as "a retirement income tool that can be incorporated as part of an overall efficient retirement income plan." "Financial planning research has shown that coordinated use of a Reverse Mortgage starting earlier in retirement outperforms waiting to open a Reverse

	Mortgage as a last resort option once all else has failed," Pfau explained.
A Reverse Mortgage only helps with the monthly housing expense.	The proceeds from a Reverse Mortgage can often be leveraged to lower other expenses through strategic investments in measures to lower Homeowner's Insurance, Utility Bills, and health care costs. The proceeds can also be used to pay off higher interest rate debts like credit cards.
If only one spouse is on the Reverse Mortgage and they pass away, the bank will take the house and require the surviving spouse to move out.	Under the most common type of Reverse Mortgage, there is a surviving spouse provision that allows the surviving spouse to remain in the house for the rest of their life without paying off the Reverse Mortgage. In situations where only one spouse qualifies to go on the mortgage you should work with a lender who will ensure that you are being put into the product that protects the surviving spouse.
You cannot use a Reverse Mortgage to build an Accessory Dwelling Unit (ADU)	Multi-generational housing opportunities are one of the areas where this product is being greatly underutilized. Reverse Mortgages can certainly be used to add an ADU to a property.
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 the ADU and allow their family to occupy the larger home. Although it is true that not all Reverse Mortgage products will allow this, we do have options for this if a senior wants to build an ADU to live in and allow family members to occupy the larger house.
Reverse Mortgages Are Too Expensive.	The government insured Reverse Mortgage products require upfront mortgage insurance. This is not required for the proprietary products. This is one of the things we consider when determining if a Reverse Mortgage is a

	good decision for a potential borrower, and what product would best serve their needs.
A Reverse Mortgage takes away your financial security.	This one is one of the most ironic myths out there. Some people look at a Reverse Mortgage and think they are giving up the equity in their house that they could draw on if the economy were to collapse again as it has a few times in the past. In reality, housing values can collapse, taking away that equity, and the stock market can collapse. One way people create true security is to take out a Reverse Mortgage credit line. No matter what happens to the house value, that line cannot be frozen or reduced. In fact, the available line will continue to grow even if it has exceeded the value of the home.
You can't get a Reverse Mortgage if you already have a mortgage on your house.	Generally, the Reverse Mortgage is just used to pay off the existing mortgage. However, we also offer a Reverse second loan for homeowners that have a very favorable first mortgage currently that they do not wish to pay off.
To qualify for a Reverse Mortgage, both spouses have to be over the age of 62.	Some of our Reverse Mortgage products allow borrowers down to the age of 55. Even on our products that require 62 and above, only one spouse must meet that age minimum (*although, there are some implications in those instances that we would be happy to discuss with you*).
You can't pay off a Reverse Mortgage.	You can repay any part or all of the Reverse Mortgage at any time you choose without prepayment penalties. Some Reverse Mortgage products will even allow you to draw the money back out if you need it after you have paid the loan down.