

REVERSE MORTGAGE MYTHS

No loan program is more misunderstood than the reverse mortgage. Here are some of the most common myths about reverse mortgages and the truths behind the myths.

Myth #1:

“The bank takes title to my home.”

Truth: Title to the property remains with the reverse mortgage borrower. As with any other mortgage loan, the reverse mortgage lender will place a lien against the property. The property is the collateral for the growing reverse mortgage balance but the homeowner retains ownership at all times.

Myth #2:

“I don’t qualify for a reverse mortgage; my home is not free and clear”

Truth: The home does not have to be completely paid for. If the existing loan on the property is 50% or less of the property value, a reverse mortgage will probably work just fine. In fact, the older the homeowner is, the less equity is required.

Myth #3:

“When the reverse mortgage becomes due, it might create a problem for my children.”

Truth: Neither the borrower nor their heirs can ever owe more than the home is worth at the time the reverse mortgage is due. If, upon the passing of the last borrower on title, the reverse mortgage balance exceeds the value of the home, the lender would be reimbursed for the loss via the mortgage insurance required by the program. The reverse mortgage borrower, or their estate, can never be held responsible for a loan balance in excess of the value of the home.

Myth #4:

“I can’t get a reverse mortgage, my house needs too many repairs.”

Truth: A reverse mortgage is a great way to get some needed home repairs accomplished without increasing monthly payments. As part of the processing of the reverse mortgage, a property appraisal is performed by a FHA-licensed appraiser. In addition to estimating the value of the home, the appraiser gives a listing of any repairs that would be required to bring the home up to FHA property standards. These repairs can be performed after the reverse mortgage is in place and paid for by the proceeds from the loan.

Myth #5:

“We have very little income and bad credit. No lender is going to approve us for a reverse mortgage.”

Truth: Traditional mortgage lenders will analyze credit history, employment and the amount of income borrowers earn for one primary reason. They want to verify their potential borrowers have the ability to make a monthly payment. With a reverse mortgage, no monthly payments are required. Therefore, there are no income or employment requirements to qualify for a reverse mortgage. In some cases we may be able to help even if you are in bankruptcy with permission from the court.