

Myths (and Realities) of a Reverse Mortgage

Even though a Home Equity Conversion Mortgage (HECM), more commonly known as a reverse mortgage, is a loan insured by the Federal Housing Administration (FHA), there are a lot of questions and misconceptions about reverse mortgages.

Put simply, a reverse mortgage enables seniors to convert equity into tax-free funds or monthly cash flow, eliminate payments on their current mortgage, or purchase a home without monthly mortgage payments. But here are some common myths - and the associated realities - which are commonly associated with a HECM:

#1

Myth: The bank owns the home.

Reality: The borrower will retain title and ownership of the home.¹

#2

Myth: The home must be free and clear of any existing mortgage.

Reality: A reverse mortgage is meant to pay off an existing mortgage and eliminate monthly mortgage payments.²

#3

Myth: The borrower needs to pay taxes on reverse mortgage funds.

Reality: Reverse mortgage loan proceeds are tax-free as it is not considered income.²

#4

Myth: The borrower is restricted on how to use the proceeds.

Reality: Once any existing mortgage or lien has been paid off, the net loan proceeds can be used for any reason.

#5

Myth: Only poor people need reverse mortgages.

Reality: Many affluent senior borrowers are using reverse mortgage loans as part of their financial and estate planning.²

- ¹ Like any loan, defaulting on the terms of the loan puts the borrower at risk of foreclosure.
- ² The borrower must still live in the home as your primary residence, continue to pay required property taxes, homeowners insurance, and maintain the home according to FHA requirements.
- ³ Consult a tax or financial advisor.

Contact Us

For more information about whether or not a HECM is right for you, contact one of our Reverse Mortgage Loan Officers, [Brian Young](#) or [Jim Nebeker](#).

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