

Reverse Mortgage Guide

Welcome to your ultimate guide to reverse mortgages! Find all the essential information you need right here.



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Reverse Mortgages

What is a Reverse Mortgage?

A reverse mortgage is a financial product that allows homeowners aged 55 and older to convert a portion of their home equity into cash. Unlike a traditional mortgage, where you make regular payments to the lender, with a reverse mortgage, the lender pays you. The loan does not need to be repaid until the homeowner sells the home, moves out, or passes away.

Types of Reverse Mortgages

In Canada, there are two primary types of reverse mortgages available: the CHIP Reverse Mortgage and the Income Advantage. The CHIP Reverse Mortgage, offered by HomeEquity Bank, is the most popular option and allows homeowners aged 55 and older to borrow up to 55% of their home's value. The Income Advantage, offered by Equitable Bank, provides a similar service but with a focus on offering a steady stream of income over time rather than a lump sum. Both options allow homeowners to remain in their homes while accessing their equity, but the amount available depends on factors such as the homeowner's age, property value, and location.



Key Features

Navigating the financial landscape of retirement can be challenging, but for Canadian homeowners aged 55 and older, a reverse mortgage offers a viable option to tap into home equity without the need to sell.

This section of our guide will delve into the key features of reverse mortgages in Canada, providing you with a clear understanding of how they work

FEATURES:

Primary Residence: The property must be the homeowner's primary residence.

Age Requirement: Homeowners must be at least 55 years old.

No Regular Payments: No monthly mortgage payments are required; the loan is repaid when the home is sold.

Loan Amount: Typically, up to 55% of the home's current value can be borrowed.

Non-Taxable Funds: The money received is tax-free and can be used for any purpose.

Home Ownership: Homeowners retain ownership and can live in the home as long as they wish, provided they meet certain obligations such as paying property taxes and insurance.

Eligibility Criteria:

Homeowners must be 55 years or older, the home must be the primary residence, and the home must be in good condition and located in an eligible area.

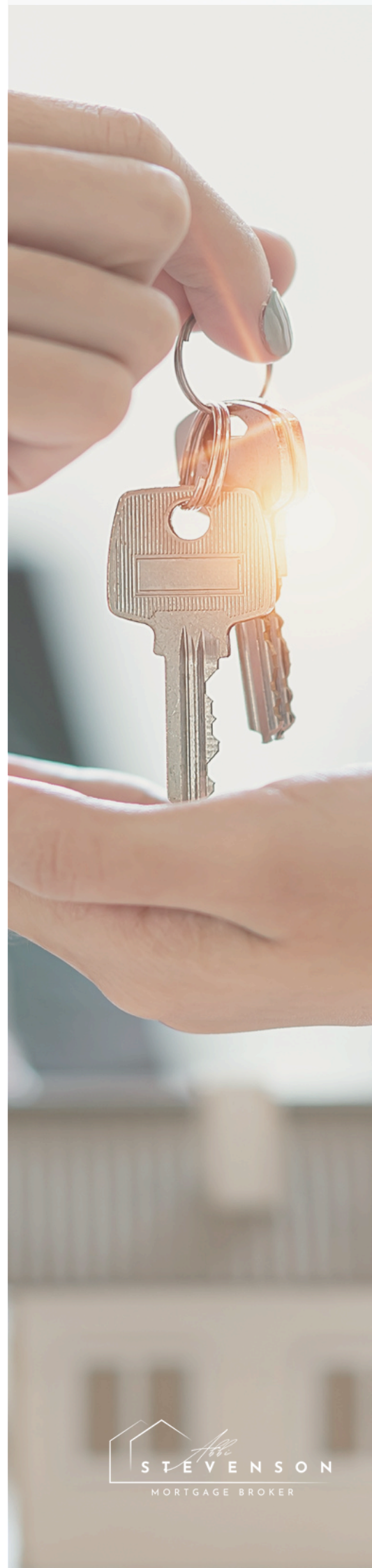
How Does It Work?

Application Process for a Reverse Mortgage

Applying for a reverse mortgage involves homeowners working with a lender that specializes in these types of loans. The process starts with an appraisal of the home to determine its current market value, which sets the maximum amount that can be borrowed.

Flexibility in Receiving Funds

Homeowners have flexibility in how they receive the funds, whether as a lump sum, regular installments, or a combination of both. It's important to note that interest accrues on the loan balance over time, with rates typically higher than those of conventional mortgages.



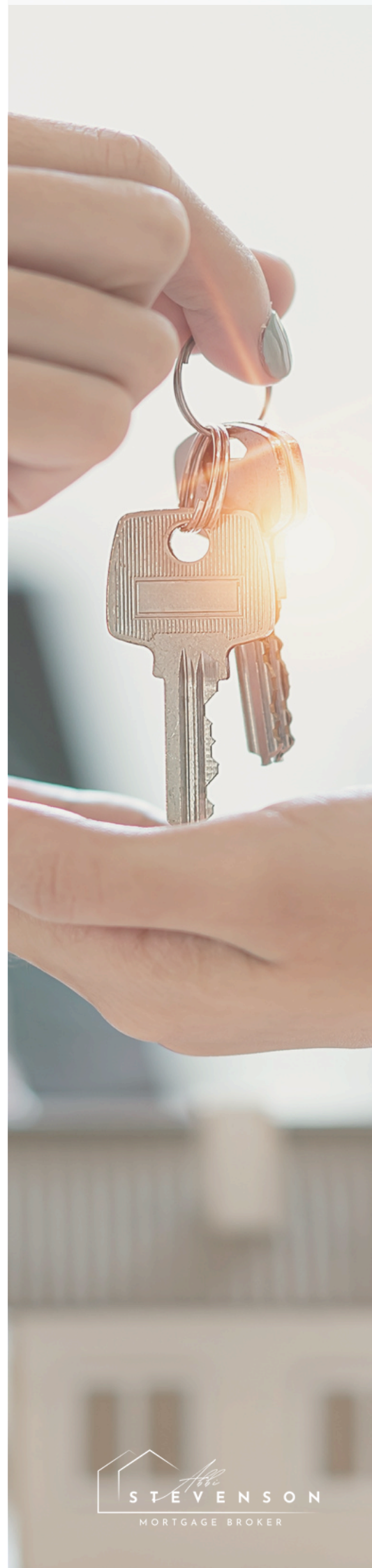
How Does It Work?

Repayment of the Loan

Repayment of the loan occurs when the homeowner sells the home, moves out permanently, or passes away. At this point, the sale proceeds are used to repay the loan, with any remaining equity passing to the homeowner or their estate.

Independent Legal Advice Requirement

In Canada, obtaining a reverse mortgage also involves a mandatory step of receiving independent legal advice before finalizing the loan. This requirement ensures that the homeowner fully understands the terms and conditions, the impact of compound interest on the loan balance, and the obligations that come with the reverse mortgage. Legal counsel helps protect homeowners from potential misunderstandings or financial pitfalls by thoroughly explaining the contract and its implications, thereby making sure that the decision to proceed is well-informed and in the homeowner's best interest.



Pros and Cons

Credit plays a crucial role in obtaining a mortgage as it determines your eligibility and the terms you receive.

Pros

- **No Monthly Payments:** Reduces the financial burden of monthly mortgage payments.
- **Tax-Free Funds:** The money received is not considered taxable income.
- **Flexibility:** Funds can be used for any purpose, such as home renovations, medical expenses, or supplementing retirement income.
- **Stay in Your Home:** Allows homeowners to remain in their homes while accessing the equity.

Cons

- **Interest Accumulation:** Interest accumulates over time, increasing the loan balance and reducing the equity in the home.
- **Higher Costs:** Interest rates and fees can be higher compared to traditional mortgages.
- **Impact on Estate:** Reduces the amount of inheritance left to beneficiaries.
- **Eligibility Criteria:** Not all homes qualify, and the age requirement may limit access.

The Process Roadmap

1

Initial Consultation

We begin with a consultation to assess your financial situation, discuss your goals, and evaluate your eligibility for a reverse mortgage. This step helps us understand your needs and how a reverse mortgage can meet them.

2

Application Assistance

If you choose to proceed, I'll help you complete the application and gather necessary documents like proof of age and property ownership. I'll then submit these to a lender specializing in reverse mortgages.

3

Property Appraisal and Approval

We'll arrange a professional appraisal to determine your home's market value. After the appraisal, the lender will review your application and, if approved, provide a formal loan offer.

4

Finalizing and Ongoing Support

I'll guide you through signing the loan documents. Once signed, the funds will be disbursed according to your chosen payment method. I'll continue to support you in managing your reverse mortgage effectively.

Helpful Resources

RESOURCES:

Equitable Bank: [Equitable Bank Website](#)

Ontario Mortgage Broker Association (OMBA): [CMBA Ontario Website](#)

Canadian Home Income Plan (CHIP) : [CHIIP Website](#)

Financial Consumer Agency of Canada (FCAC): [FCAC Website](#)

Office of the Superintendent of Financial Institutions Canada (OSFI): [OSFI Website](#)

Canadian Association of Accredited Mortgage Professionals (CAAMP): [CAAMP Website](#)

Reverse Mortgage Pros: [Reverse Mortgage Pros Website](#)

Canadian Bankers Association (CBA): [CBA Website](#)

Mortgage Professionals Canada: [Mortgage Pros Canada](#)

TD Canada Trust - Home Equity Options: [TD Personal Banking Website](#)

Reverse Mortgage Canada Network: [Reverse Mortgages Website](#)

Closing

This guide has provided a broad overview of reverse mortgages for Canadian homeowners, highlighting essential aspects to consider. By familiarizing yourself with the information presented, you can better assess if a reverse mortgage aligns with your financial needs and retirement plans.

We hope this guide has been helpful in offering you a clearer understanding of this financial option. Thank you for reading, and remember to consult with a financial advisor to ensure you make the best decision for your situation.

