

REVERSE MORTGAGE

Myths

CLEARING UP COMMON MISCONCEPTIONS

At Bay Equity, we're committed to making sure you receive honest and accurate information about reverse mortgages so you can make an educated decision that's best for you. Here are some of the most common misconceptions about Home Equity Conversion Mortgages (HECMs) – also known as reverse mortgages – and the truth behind these myths.

“A Reverse Mortgage requires giving up ownership of your home.”

FALSE. As the borrower, your name remains on the title and the home is still yours – just as it would be with any mortgage. You're required to continue paying real estate taxes, homeowner's insurance, and providing basic maintenance to your home. Once you no longer live in the home as your primary residence, the loan balance, including interest and fees, must be repaid. This is usually done by the homeowner or their estate selling the house.

“There are restrictions on how I can use the money from a Reverse Mortgage.”

FALSE. How you use your reverse mortgage proceeds is up to you. Among the most common uses are paying off an existing mortgage or other debt in order to eliminate monthly debt payments; creating a cash reserve; supplementing monthly income; paying for home improvements; or covering medical bills or long-term care expenses.

“I could wind up owing more than my house is worth with a Reverse Mortgage, and I leave my heirs with debt.”

FALSE. A HECM (Home Equity Conversion Mortgage) reverse mortgage is insured by the Federal Housing Administration. This insurance feature guarantees that you will never owe more than the value of your home when the loan becomes due. No debt will be left to your heirs. And if the loan balance is less than the market value of the home, the additional equity is retained by the homeowner/heirs (if the home is sold).

“A Reverse Mortgage should only be used as a last resort.”

FALSE. With newer loan options that reduce up-front costs, reverse mortgages have become more versatile in recent years. Many homeowners age 62 and older are now using a reverse mortgage strategically as part of a sound financial plan. For example, a reverse mortgage line of credit can serve as a cash reserve that you can tap as needed. (And unlike a traditional Home Equity Line of Credit, the unused reverse mortgage credit line actually grows over time.) Or, monthly advances can help you supplement other retirement income, so you can avoid withdrawing savings or liquidating invested assets or a blend of these options (can improve your cash flow and help you live more comfortably). Bay Equity will be pleased to work with you and your financial advisor to develop a solution that's right for you. Seniors may also take the proceeds as a lump sum, monthly payments or a combination.

“Reverse Mortgages are too complicated.”

FALSE. With most financial products, there are a number of factors to consider before you can choose what's best for you. With Bay Equity, you can rely on your loan officer to be a trusted resource for clear information and responsible guidance. In addition, before you apply for a government-insured Home Equity Conversion Mortgage, you are required to receive reverse mortgage counseling from a third-party counselor who's approved by the U.S. Department of Housing and Urban Development (HUD). These independent counselors are not affiliated with Bay Equity, and their only job is to ensure you fully understand every aspect of your reverse mortgage.

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To get all the facts about Reverse Mortgages, please contact me.

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