Retain and Maintain Your Home with Reverse Mortgages Canada

RETIREMENT PLANNING

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It’s no secret that many seniors today are nearing retirement with little in the bank. Economic hardships of recent years and other struggles mean that today’s retirement is a bleak prospect for many, if not most. How is one to cope?
Fortunately, there’s a solution for Canadian homeowners that many have overlooked: The reverse mortgage.

What is a reverse mortgage?

“*What is a reverse mortgage* and how can it help me?,” is a question many senior homeowners face. Reverse mortgages in Canada are just what they sound like – mortgages in reverse. The process works like this: For a normal mortgage, homeowners submit monthly payments to their banks or lenders to reduce mortgage balances. With reverse mortgages, it’s the opposite. Homeowners don’t make mortgage payments; instead, they receive them. In essence, this is a loan that’s offered based upon the equity in a particular homeowners home.

Who can get a Reverse Mortgage in Canada?

There are just a few simple qualifications necessary for one to be eligible for a reverse mortgage. A Canadian (and spouse, if married) who owns his or her own home and is 55 years or older can get as much as half of a home’s value in cash payments when he/she takes out a reverse mortgage.

Untapped income potential

This is something that should give seniors over-55 some well-deserved relief. Many eligible homeowners, for example, have owned their homes for a long time; this means that they paid a fraction of the current worth to buy them. Let's say, for example, that John Smith bought his home 30 years ago for $40,000, but it's now worth $400,000. That equity is cash that John can use to stay in his home even if he's retired, nearing retirement, or simply wants some extra cash to take care of expenses because work-related income is either nonexistent or less than it was.

Do those who receive reverse mortgages have to pay them back?

Like any loans, reverse mortgages have to be paid back – but here's the good news. The homeowners themselves may not have to pay the reverse mortgage back. That's because they DON'T have to make any mortgage payments of any kind, including interest or principal, until they move out of, or sell their homes, or pass away. If homeowners pass away, the reverse mortgage is paid off from the home's sale proceeds.

How can a reverse mortgage loan be used?

Reverse mortgage loans can be used any way homeowners see fit. Some examples:

- They can be used to pay taxes and make repairs
  Perhaps the most important way reverse mortgages can be used is in simply paying taxes and maintaining the homes. The additional funds acquired via reverse mortgages are particularly beneficial to senior homeowners to supplement their monthly income and use it for the upkeep of their homes.

  Many seniors, for example, find themselves with extremely limited incomes after retirement such that they can no longer maintain the homes they love or afford to pay necessary taxes on them. With reverse mortgages in Canada, this concern disappears. With a steady income coming in, seniors can maintain their homes, pay their taxes – and stay right where they are, in the homes they love, without worrying about having to move someplace less expensive or to an unfamiliar retirement community, for example.
- They can be used for living expenses
  Unfortunately, everyone knows that even though retirement incomes stay relatively stagnant, living expenses continue to increase. Seniors no longer need to feel the pinch of increasing cost-of-living. Instead, they can supplement any retirement income they receive with reverse mortgage payouts, giving them the necessary financial cushion they need to live comfortably and without worry.

Other Facts About Reverse Mortgages Canada

- Homeowners keep title to their homes.
- Homeowners never lose possession of their homes as long as they live in them, maintain them and pay taxes on them. Heirs to the home can claim the property if they are able to pay the reverse mortgage to the lender with the accrued interest, once the homeowner passes away. Alternately, the principal and interest amount is claimed from the proceeds of the home's sale, and balance amount is claimed by the heirs.
- Homeowners can never owe more than their homes' value – Again, homeowners will never be required to pay back the reverse mortgages they take out as long as they stay in their homes (don't sell or move), and until they pass away. Should a homeowner choose to move out or sell, that homeowner will need to repay the reverse mortgage. However, homeowners will never have to pay more on their reverse mortgages than fair market value of their home.

- Homeowners can choose to repay reverse mortgage interest if they want – This is entirely optional; however, if homeowners think there's a chance they will sell or move out at some point, they can choose to pay some or all of the interest on a reverse mortgage.This means that any reverse mortgage repayment upon house sale, etc., will be much lower because less (or no) interest has accrued.

Considerations for reverse mortgages Canada

There are just a couple of considerations for reverse mortgages Canada:

- Homeowners must perform regular upkeep, retain property insurance, and pay taxes
  Homeowners CAN run into problems if they don't maintain them properly or neglect to pay the necessary taxes on them. However, this danger should be minimized simply by using a portion of the reverse mortgage income to do basic home maintenance and pay property taxes.
- There are some reverse mortgage costs
  As with any mortgage, there are costs associated with a reverse mortgage. These include: The house appraisal, closing costs and associated fees, legal advisor fees. These fees however, can be recouped from the proceeds of the reverse mortgage.
  All in all, reverse mortgages in Canada allow senior homeowners the right to access the equity in their own home, retain their property and maintain their existing lifestyle with the income gained.