

## **Myths & Realities of a Reverse Mortgage**

As with many financial products, reverse mortgage loans can be complicated and there may be a number of misconceptions about how the product works. Do you know the myths vs. realities?

### **Myth No. 1: The lender owns the home.**

You will retain the title and ownership during the life of the loan, and you can sell your home at any time. The loan will not become due as long as you continue to meet loan obligations such as living in the home, maintaining the home according to the Federal Housing Administration (FHA) requirements, and paying property taxes and homeowners insurance.

### **Myth No. 2: The home must be free and clear of any existing mortgages.**

Actually, many borrowers use the reverse mortgage loan to pay off an existing mortgage and eliminate monthly mortgage payments<sup>1</sup>.

### **Myth No. 3: Once loan proceeds are received, you pay taxes on them.**

Reverse mortgage loan proceeds are tax-free as it is not considered income. However, it is recommended that you consult your financial advisor and appropriate government agencies for any effect on taxes or government benefits.

### **Myth No. 4: The borrower is restricted on how to use the loan proceeds.**

Once any existing mortgage or lien has been paid off, the net loan proceeds from your HECM loan can be used for any reason. Many borrowers use it to supplement their retirement income, defer receiving Social Security benefits, pay off debt, pay for medical expenses, remodel their home, or help their adult children. You worked hard for this asset and prudence, along with budgeting, should be the proper approach to enjoying proceeds received from your HECM loan.

### **Myth No. 5: Only poor people need reverse mortgages.**

The perception of the reverse mortgage as an assist for the "poor" borrower is changing – many affluent senior borrowers with multi-million dollar homes and healthy retirement assets are using reverse mortgage loans as part of their financial and estate planning, and are working closely in conjunction with financial professionals and estate attorneys to enhance the overall quality and enjoyment of life.

*For Information And A No Cost No Obligation Consultation Contact:*

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1. You must live in the home as your primary residence, continue to pay required property taxes, homeowners insurance and maintain the home according to the Federal Housing Administration requirements.