REVERSE MORTGAGE VS A HOME EQUITY LINE OF CREDIT

Is a reverse mortgage better than a Home Equity Line of Credit (HELOC)?

A reverse mortgage can help eliminate the economic risks that exist with a HELOC. If house prices decrease, interest rates increase, or if your client has a major change in income, the reverse mortgage will not be called. In contrast, a HELOC can be called at the discretion of the lender. With a reverse mortgage, your clients have the assurance and peace-of-mind that they will be able to stay in their home.

	Reverse Mortgage	Typical HELOC
Age eligibility	55 years and older.	18 years and older.
Payments	Not required as long as the homeowner is living in the home.*	Regular payments are usually required. If LTV is at the maximum, interest payments MUST be made.
Negative equity protection	Standard.	Not available.
Risk of non-renewal, cancellation, or foreclosure	The loan will not have to be renewed or called.*	The loan may be called or not renewed depending on LTV, or change in income.
Death of spouse	The loan will not be called, and the surviving spouse won't have to requalify.	Surviving spouse may need to requalify, and loan may be called.
Fees	One time appraisal and legal fees, which can be paid out of mortgage proceeds.	Common fees include an appraisal fee, legal fees and monthly administration fees.
Maximum Loan to Value (LTV) advanced	Up to 55% LTV (based on age, type of property, and location).	Up to 65% LTV (credit, income and debt servicing required above 50% LTV with all banks).†
Everyday banking	Clients continue to bank with their existing financial institution.	Clients may be forced to an account that combines chequing, savings, and borrowing accounts.

*Homeowner is required to pay their taxes on time, have fire insurance, and maintain the home.
†Up to 85% LTV may also be an option.

Why should you offer reverse mortgages to your clients?

1. So that the home can be an active asset in retirement.
2. To preserve existing assets so retirement savings aren't depleted as quickly.
3. To retain your senior clients longer by being more diversified.
4. To ensure your clients are as tax efficient as possible in retirement.
5. To retain more of your book and maintain revenue by putting your client's home equity to work.

For more information, please contact me.

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