

Five Big Fat Mistakes people make about Reverse Mortgages

Mistakes and Myths and Misconceptions and Mistruths about Reverse Mortgages: Fact vs. Fiction

IRVINE, CA, UNITED STATES, December 2, 2020 /EINPresswire.com/ -- Myths, Mistruths, Misconceptions, and Mistakes (The 4 M's) about [reverse mortgages](#) and how they work are common. But having access to accurate information as you make your decision about a reverse mortgage can assist you in balancing the pros and cons, and evaluate if a reverse mortgage is right for you. Let's look at the biggest, fattest 5 mistakes that many people still make concerning a reverse mortgage.

Big Fat Mistake #1 -- "The bank will own my home."

Reality #1: This is one of the most common misconceptions about reverse mortgages. Just like any mortgage or home equity loan, you continue to own your home, with your name on the title.

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The five words that describe a reverse mortgage best are simple - It is just a loan."

Paul E Scheper, CRMP, MBA, CSA, SRES



We all make Mistakes - It's okay

Of course, you must meet your loan obligations: keeping current with property taxes, homeowners insurance and maintenance.

Big Fat Mistake #2 -- "I probably won't qualify because I already have a mortgage."

Reality #2: Proceeds from your reverse mortgage would first be used to pay off any existing mortgage(s).

Big Fat Mistake #3 -- "I won't be able to leave my home to my heirs."

Reality #3: Your heirs will still inherit your home, but they will have to pay back the loan balance if they want to keep the home (just like all loans). This includes the amount of funds you used plus accrued interest and fees. Or, they can sell the home to repay the loan. Once it's repaid, they receive any remaining equity—just like a traditional mortgage or home equity loan.

Big Fat Mistake #4: -- "Reverse mortgages are designed to take advantage of retirees."

Reality #4: Reverse mortgages are specifically designed to help retirees. Many people are living longer—and they're rightfully concerned about outliving their retirement savings. The ability to access home equity can provide a greater sense of security, and more financial flexibility. The industry is also highly regulated: Any lender offering reverse mortgages must follow strict state and federal guidelines and regulations that are in place to protect borrowers. In addition, members of the National Reverse Mortgage Lenders Association (NRMLA) pledge to uphold the industry's highest ethical standards.

Big Fat Mistake #5 -- "A reverse mortgage should only be used as a last resort."

Reality #5: Many savvy senior homeowners use a reverse mortgage strategically—for example, as a safety net in case of emergencies. In recent years, there have been a number of product advances that have made reverse mortgages more attractive, and academic researchers at



Money House



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respected universities have developed effective strategies for using a reverse mortgage as part of an overall retirement plan. Today, financial advisors are increasingly viewing them as an important option to be seriously considered.

A reverse mortgage needs to be suitable and appropriate for a consumer. It has to be the right loan, for the right person, for the right situation, at the time, and for the right reason. It is just a loan -- plain and simple. The main difference is that the interest can be paid later, not monthly. It's a good move to compare a reverse mortgage to a regular mortgage in a "side by side" comparison to see what is right for you.

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