

Reverse Mortgage Tax Consequences: What Seniors Need to Know

ORANGE COUNTY, CA, UNITED STATES, July 23, 2025 /EINPresswire.com/ -- As reverse mortgages continue to gain popularity among homeowners age 55 and older, more questions are surfacing about how these loans impact federal income tax filings. Two key areas of interest are the deductibility of property taxes and mortgage interest. Experts say that while tax benefits remain available, the rules are nuanced.

Property Taxes Remain Deductible When Itemized

Homeowners with a reverse mortgage can continue to deduct property taxes on their federal income tax returns, provided they itemize deductions on Schedule A. This treatment remains

consistent with traditional mortgage rules. Taxpayers should consult a qualified CPA or Enrolled Agent to confirm current deduction limits and eligibility.

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Paul Scheper

Mortgage Interest Deduction Requires Direct Payment

Reverse mortgages do not require monthly payments, which means interest typically accrues over time. However, under IRS rules, accrued interest is not deductible unless it is paid out-of-pocket.

“Reverse mortgages function similarly to traditional mortgages when it comes to deductions,” said Paul Scheper, Certified Reverse Mortgage Professional (CRMP)

and owner of Loangevity Mortgage. “However, because payments are not required, many borrowers don’t pay the interest — and interest that’s merely accruing is not deductible.”



“Many people assume that because interest is accruing, they can write it off — but that’s not how it works,” said Dave Tax, Enrolled Agent based in Newport Beach, California. “For the interest to be deductible, it must be paid directly by the borrower — from a bank account, not merely added to the loan balance. Deferred interest doesn’t count for a deduction.”

Borrowers often realize the mortgage interest deduction only when the loan is repaid, such as at the time of home sale, at which point all accrued interest may be deductible in the year of repayment.

Voluntary Payments Offer Strategic Tax Opportunities

Reverse mortgage borrowers are permitted to make voluntary payments at any time. When made from a personal banking account, these interest payments may qualify as deductible in the year paid — providing strategic value for seniors who are still working or in higher tax brackets.

“It’s smart to evaluate your tax position each year,” added Tax. “If a voluntary payment lowers your taxable income and preserves deductions, it may be worth it. But that’s something to assess with your CPA in the fourth quarter.”

Key Tax Facts for Reverse Mortgage Borrowers

- Property taxes remain deductible if itemized
- Mortgage interest is deductible only when actually paid
- Voluntary payments may offer tax advantages, especially for working seniors

Scheper’s Advice: View Reverse Mortgages as a Planning Tool

“At Loangevity Mortgage, we encourage homeowners to look at reverse mortgages not just as a



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loan, but as a financial planning tool,” said Paul Scheper, CRMP. “If you’re still earning taxable income or if deductions matter to you, consider making occasional interest payments. You’ll preserve some tax advantages while maintaining flexibility.”

Scheper also advises reverse mortgage borrowers to meet with a qualified tax advisor in October or November each year to determine whether voluntary payments could improve their after-tax financial position.

“The key is to work with professionals who understand how reverse mortgages integrate with your tax strategy,” Scheper added. “Making a payment — or not — should always be based on what puts you in the best long-term financial position.”

Learn More

For more information about reverse mortgages, visit www.ScheperPaul.com or contact PaulScheper@Live.com. For more free educational information like this, check it out here - www.ReverseTube.TV.

About Loangevity Mortgage: Paul Scheper is the owner of Loangevity Mortgage (Toll Free 800-662-6784) and specializes in helping individuals and families navigate real estate and financial decisions with confidence and transparency. With over 41 years of experience, Scheper's mission is to empower clients with knowledge and tailored solutions to help seniors retire more confidently and comfortably.

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