

REVERSE MORTGAGE GUIDE

*Separate fact
from fiction*

GRANT Powell
MORTGAGE & LOAN EXPERT



Retirees Ultimate Financial Tool!

Reverse Mortgage Guide

*By
Reverse Mortgage Expert /
Independent Mortgage & Loan Broker
Grant Powell*

Thank you for investing your time in reading this Reverse Mortgage Guide! Here you will find the best reverse mortgage information, and an invitation to utilize my reverse mortgage calculator services.

Homeowners typically approach their bank or credit union when looking for mortgage advice. However, in retirement the best mortgage financing options available to Canadian homeowners are from two specific non brick-and-mortar mortgage providers who specialize in reverse mortgages.

These two lenders derive most of their business volume through partnering with independent mortgage brokers like myself. Currently, as of May 2020, less than eight percent of independent mortgage brokers across the country are licensed to advise and arrange reverse mortgages. As you learned from reading my first book, there is far more to selecting the best mortgage for you than simply having the best mortgage rate in Canada.

Recently, the mainstream media like Bloomberg, CBC, Global, CTV, the Financial Post and the Globe and Mail have reported that, “Reverse Mortgages” are the fastest growing mortgage segment in Canada. It is speculated the trend will continue for years to come. The main reason for this is people are outliving their savings!!

Furthermore, as we are witnessing in the spring of 2020, in light of COVID-19, it is even more difficult to predict future income or return on investments. Obtaining knowledge about reverse mortgage products gives retired homeowners comfort and stability. The mortgage education in this guide will give you the power to maintain the control of your home ownership well into your retirement.

I feel it is extremely important for all retired Canadians, from coast to coast, to be aware of the numerous reverse mortgage financing options available. Having reverse mortgage information will give you the edge to make the decision that is right for you. New and more strict mortgage regulations are coming into effect on an ongoing basis; this means the importance of up to date mortgage education is paramount. The reverse mortgage information in this guide could enable you to stay in your current home or even purchase an additional property.

Do not ever pick your financial influences based on persuasion! Do your homework and learn about the diverse reverse mortgage products available which do not rely on credit, income, or marital status for loan approval.

In this book, you will read about:

- The Six Reasons Why Reverse Mortgages are the fastest growing mortgage segment
- The History of Canadian Reverse Mortgages
- Shopping for Reverse Mortgage Success
- Frequently Asked Questions

If you have any questions on any of these topics or any others, please contact me!

Yours Truly,



Grant Powell

Reverse Mortgage Expert
**Mortgage Broker with: The Mortgage Centre- Home
Financing Solutions Inc.**

Cell 250-486-2959

Toll Free 844-908-6789

Grant@AlternativeMortgageFinancing.net

AlternativeMortgageFinancing.net

If you find this book to be informative, please share it.

Table of Contents

Six Common Problems a Reverse Mortgage Solves.....	5
1. Aging Demographic:.....	5
2. Out-Living Savings:	5
3. Lack of Lifestyle Income:	5
4. Increased Home Equity:	5
5. Stress Test:.....	5
6. Aging in Place:	5
History of Canadian Reverse Mortgages.....	6
HomeEquity Bank	6
Equitable Bank.....	6
Shopping for Reverse Mortgage Success	7
Standard Features Common to All Reverse Mortgage Products.....	7
Home EquityBank Products	8
1. CHIP Reverse Mortgage	8
2. CHIP Max Reverse Mortgage	8
3. Income Advantage Reverse Mortgage	9
Equitable Bank Products	9
4. Equitable Bank Reverse Mortgage	9
Rewarding Applications of a Reverse Mortgage.....	10
Client Stories.....	13
Client Situation 1: Age in Place and Travel	13
Client Situation Two: Aging in Place & More Time Spent with Family	14
Client Situation Three: Buy a Second Home in Palm Springs	15
Client Situation Four: Spousal Buyout	15
Client Situation Five: Aging In Place & Gift a Down Payment	16
Client Situation Six: Selling to payout debt rather than Aging in Place	16
Frequently Asked Questions.....	18
Shopping for Financial Success Using a Mortgage Broker	20
How to Qualify an Independent Mortgage Broker	23

Six Common Problems a Reverse Mortgage Solves

Here are six reasons why reverse mortgages are the fastest growing mortgage segment:

1. **Aging Demographic:** Statistics Canada notes that seniors will continue to make up a larger percentage of the Canadian population. Incredibly, from 1982 to 2012, the number of seniors doubled! The most recent projections show that seniors will make up one-quarter of Canada's population by 2036.
2. **Out-Living Savings:** A generation ago, on average, Canadians lived only until their mid-seventies. Now, one in two will live longer than their ninetieth birthday. The problem with this is that many financial plans are only structured to provide income security until people are in their mid-eighties. When we combine this situation with the probable declined values of workplace pensions during and post COVID-19, we have many seniors in a potentially fragile situation.
3. **Lack of Lifestyle Income:** Many recent government and independent studies show that a large percentage of retirees lack access to the disposable income they require to maintain their active lifestyle. As a study by *Stony Brook University* states, "seventy is the new sixty" as many people remain healthy, active and productive well into their 70s! On the other hand, if their lifestyle is declining and they need to modify their current home or require home care, then a reverse mortgage is an excellent solution.
4. **Increased Home Equity:** Retired Canadians are sitting on billions in equity! Many retirees have little or no mortgage remaining on their property and this can give them comfort to access some equity without leaving themselves vulnerable to potential housing market down turns. For example, the maximum reverse mortgage approval for an average detached home in greater Vancouver, BC in January 2020 is \$1,440,000. A retired couple aged seventy-three or eighty-two, could access up to \$652,500 or \$ 794,000 respectively TAX FREE! In Toronto in March 2020 the average detached home is \$1,400,000. A retired couple aged seventy-three or eighty-two years could also access \$632,500 or \$770,000 respectively TAX FREE!
5. **Stress Test:** Over the last ten years many mortgage rules have changed, resulting in many retirees (whether still together, separated or divorced) no longer able to qualify for a traditional mortgage. This is true even despite having had life-long relationships with their bank or credit union.
6. **Aging in Place:** Statistics show over ninety percent of homeowners want to stay living in their current home throughout their retirement. They still love their home, neighbors, neighborhood and enjoy familiar services from their local doctors, pharmacist, hairdresser, dentist and transportation routes.

History of Canadian Reverse Mortgages

Canadian reverse mortgage products should not be confused with American reverse mortgage products. American products are not strictly regulated, while Canadian reverse mortgages are strictly regulated and have evolved significantly since their 1986 inception.

HomeEquity Bank

In 1986 a company called *Canadian Home Income Plan* was founded in Vancouver, BC by chartered accountant William Turner. Their one reverse mortgage product was viewed as a last resort for retired Canadians seeking to enhance their retirement income. By 2001, the *Canadian Home Income Plan* had expanded across the country and in 2002 the company was renamed *Home Equity Income Trust* and was listed on the Toronto Stock Exchange.

In October of 2009 they became a Schedule 1 Bank under former finance minister Jim Flaherty's tenure, with a revised corporation name of *HomeEquity Bank*. Some say this was the biggest one step towards becoming a competitive financing option available to Canadians. In 2013 *HomeEquity Bank* added a new and more sophisticated product line called *Income Advantage* which was designed to allow clients more flexible options for long term retirement planning.

In 2014 the name of the company changed to *CHIP Reverse Mortgage*. In 2018 their name and branding changed to *HomeEquity Bank* to help consumers to distinguish between their two product lines: *CHIP* and *Income Advantage*.

Equitable Bank

Market demand for reverse mortgages has been growing year over year, and in 2019 another lender entered the playing field. *Equitable Bank*, Canada's ninth ranked independent, Schedule 1 lender launched a reverse mortgage product. *Equitable Bank* has been a Schedule 1 lender since 2013 and has been funding residential and commercial loans since 1970. Their unique product has some features and benefits that are more suited to some retired Canadians looking to restructure their home equity.

Shopping for Reverse Mortgage Success

As mentioned in the previous chapter *History of Reverse Mortgages*, there are currently two reverse mortgage lenders in Canada that offer an assortment of reverse mortgage products, totaling 4 products between them.

In this chapter I will go over the reverse mortgage products available from *Home EquityBank* and *Equitable Bank* as of 2020 in Canada. But first, let's look at the similarities among them.

Standard Features Common to All Reverse Mortgage Products

Here are some standard features common to all reverse mortgage products:

- **Age Fifty-Five to Qualify.** All applicants on title need to be 55 or over.
- **No Income Requirement.** There is no income requirement, the amount of funds you can access is based on only three main things
 - your age
 - appraised value of your home
 - location of your home.
- **No Monthly Payments.** The equity you access is paid back from the proceeds when you sell, so no monthly payments are required.
- **Will not affect CPP, OAS or GIS.** There will not be a claw back to your existing or planned pension income because accessing the equity in your principal residence is one hundred percent tax free.
- **No Health Checks Required.** Since the mortgage is based on the value and age of the property there are no health checks needed or life insurance required.
- **No Amortization.** Amortization is not applicable to reverse mortgage situations.
- **Appraisal.** The appraised value of your home is based upon a current conservative home appraisal completed by an authorized appraisal company.
- **You Own Your Own Home.** You will be given a written guarantee which outlines that you, and not the lender, is the owner of your home.
- **Maximum Loan Amounts.** The maximum loan amount of your reverse mortgage will depend on the combined ages and sexes of all persons on title, the property's location and the type of home.
- **Approval Amount Can Increase.** The older you become, the higher the loan amount you will be eligible for, so long as the property value increases or stays the same.
- **Proof of Independent Legal Advice.** Since restructuring your financing is a big step, your mortgage broker as well as the lender will request proof that you have sought independent legal advice.

Home EquityBank Products

Some Canadians may be familiar with *Home EquityBank* from TV commercials as the provider of the *CHIP Reverse Mortgage*, but this is not the only product they provide. They also offer the *CHIP Max* and the *Income Advantage*. I will give you the breakdown of all three products to help you understand which product best suits your financial needs.

The following are some unique characteristics which differentiate Home EquityBank products from Equitable Bank products:

- **Higher Loan Amounts:** Home EquityBank has no limit of \$800,000 the way Equitable Bank *reverse mortgage* products do
- **Higher Percentage of Lending to House Appraised Value:** Home EquityBank lends up to 60% of appraised value rather than 40% from Equitable Bank
- **Will Allow Second Mortgages on Title:** Home EquityBank will allow up to 65% of your property's appraised value

1. CHIP Reverse Mortgage

The CHIP Reverse Mortgage is most popular for homeowners 55+ who are looking for a one-time lump sum. It is the most popular reverse mortgage product in Canada and has the most diverse scope of geographical lending areas in the country.

Unique CHIP Features:

- **Maximum Loan per Percentage of Property Value:** up to 55% of the assessed value of your home
- **Initial Advance:** \$25,000 lump sum
- **Subsequent Advances:** \$5,000 minimum
- **Lower interest rates:** lower rates than CHIP Max

2. CHIP Max Reverse Mortgage

The CHIP Max Reverse Mortgage is specifically designed for clients aged 55-75. This product is ideal for those seeking large lump sum advances and for those who would otherwise be exploring higher interest alternative lenders and second mortgages.

Unique CHIP Max Features:

- **Maximum Loan Amount:** up to 60% of the value of your home
- **Up to 30% More Funds:** clients qualify for larger amounts than the standard CHIP Reverse Mortgage
- **Large Sums:** minimum mortgage of \$50,000, subsequent advances

- **Offered Only in Urban Centres:** throughout Alberta, British Columbia, Ontario & Quebec

3. Income Advantage Reverse Mortgage

Income Advantage is ideal for retirees who do not require a large lump sum and are simply looking to supplement their monthly retirement income. The frequency of advances and amounts can be customized to your needs. The interest accumulates more slowly because the loan is dispersed in installments versus all at once.

Unique Income Advantage Features:

- **Maximum Loan Amount:** up to 55% of the appraised value of your home
- **Initial Advance:** \$20,000 lump sum
- **Planned Advances:** from \$1,000 a month or \$3,000 per quarter
- **Option to regulate cash flow:** You have the option to receive advances monthly or quarterly
- **No interest paid on unadvanced funds:** you do not get charged interest on your approval amount, only once the funds are advanced

Equitable Bank Products

4. Equitable Bank Reverse Mortgage

Equitable Bank is the new player in Canada! Their product offers superior interest rates and a lower administration fee. However, they lack lending area, limit percentage of property value you can access, and limit the mortgage amount.

Unique Equitable Bank Features:

- **Lower Administration Fees:** \$995 instead of \$1,695
- **Lower Interest Rates:** lower than any of the Home EquityBank products
- **Initial Advance:** \$25,000 lump sum
- **Planned Advances:** either monthly \$500 minimum or \$1,500 minimum quarterly
- **Minimum Mortgage:** \$25,000
- **Minimum Property Value:** \$250,000 appraised value by certified Equitable Bank appraiser
- **Lower Pre-Payment Penalties:** less than Home EquityBank products
- **All homes are considered equal:** whether your home is a single or detached family house, duplex or condo, all types are considered equal when qualifying for the percentage of equity you can access

Rewarding Applications of a Reverse Mortgage

There are many circumstances where a *reverse mortgage* is a superior financial decision. Here are a few examples of how my clients have improved the quality of their lives through this flexible financial instrument:

Achieve Your Bucket List. It is well documented that the bulk of retirement savings are spent between the ages of 65-75 while retirees are knocking off their priority list of travel destinations and activities they wish to experience. What is still on your bucket list?

To Renovate or Remodel. Often it makes more sense to finance custom upgrades to your current home rather than moving to the next step of living arrangements. What mobility or other issues do you anticipate?

Pay off High Interest Debt. Many seniors choose to alleviate financial stress by paying off existing debt. Could you benefit from lower interest rates?

Spousal Buyout. Frequently, at the end of a relationship, one partner will want to stay in the former matrimonial home and so must buy out their former spouse. In many cases the spouse wishing to stay will not qualify for a traditional mortgage. Even if they do qualify for a traditional mortgage, a strategic financial planning analysis can uncover whether a traditional mortgage, a Home Equity Line of Credit, or a *reverse mortgage* is the superior financial decision. The easiest way to make a decision that is right for your unique circumstance is to have all the facts laid out.

Lateral Move. In most cities the only way to downsize and still live in a preferred area is to purchase a home at a similar or sometimes more expensive price than the home you are currently in. By utilizing a *reverse mortgage*, buyers can purchase a property that suits their needs without having to ponder if they can afford the purchase price and mortgage payment. Is this the scenario you are facing?

Selling in a down real estate market. If the main reason for selling is you can no longer afford the upkeep, mortgage payment and property taxes, then it is certainly a shame to sell your home at a loss during a slumping housing market. Especially when there will be a correction in the near future! I give an example of a North Vancouver client situation in the *Client Stories* chapter later in this book.

Avoid Bankruptcy. Sands & Associates, a BC based insolvency trustee, quotes “It is seniors who are bankrupt; the fastest-growing segment of society going broke in Canada is people over the age of 55. Either by debt they take into retirement or high interest debt they can’t budget to pay off.”

Age in Place. Statistics show over ninety percent of homeowners want to stay living in their current home throughout their retirement. Do you love your home, neighbors, neighborhood and want to enjoy familiar services from your doctor, pharmacist, hairdresser, dentist and regular transportation routes?

Purchase a Second Home. Some retirees envision having a vacation home either within Canada or perhaps outside of Canada. Is this a lifestyle you would like to explore?

Purchase a vehicle. As the saying goes, “cash is king when purchasing a vehicle”! You simply cannot negotiate the best deal when you are subject to dealer financing. Plus, nobody wants to travel either short or long distances in an unreliable vehicle. Breaking down is not fun for anyone, but especially for retirees who might have mobility or night vision issues.

Healthcare needs. Many prescriptions, therapies, mobility assists and alternative treatments are not covered by regular or extended benefits.

Help Family Members Abroad. Increasingly, Canadians are sending funds back to their family members in all corners of the world.

Gift a Down Payment. Many retirees choose to assist their children or grandchildren enter the housing market by helping them with a down payment on a property.

Tuition. Whether a gift for yourself or a loved one, tuition expenses are increasing and can have a very satisfactory ROI.

Gift a Grandchild’s RESP. Oftentimes it makes sense to maximize on the government’s matched incentive program.

Early Inheritance. Clients who have done this have told me, “It is rewarding seeing my loved ones putting the funds I worked so hard for to use while I am still alive!”

Estate Tax Strategy. Find out if cashing in on the equity of your home now will save thousands on estate taxes in the future.

Preserve Investments. If you have investments that you do not want to liquidate just yet, a reverse mortgage could remove the stress off cashing in your potentially high return investments.

Subsidize Pension. A little extra cash flow per month or quarter is all many retirees need to sustain a realistic budget.

Income Tax Strategy. With assistance from your accountant, financial planner or investment broker a well implemented *reverse mortgage* can save you thousands annually on income tax.

Strata Bills. Condo living has its own benefits and drawbacks. Sometimes there can be unplanned for Special Levies for major renovation projects, a mismanaged budget requiring an increase in condo fees, or what is increasingly becoming a problem, a large increase for insurance premiums and deductables.

Client Stories

There are many ways to apply a *reverse mortgage* and every person has a unique scenario. Below I illustrate a few examples from different regions across Canada.

Client Situation 1: Age in Place and Travel

Melanie lives in Osoyoos, BC, a small town with approximately 5,500 population.

- Melanie is 77
- \$280,000 = Property value of townhouse
- \$ 100,000 = Existing mortgage

Using my reverse mortgage calculator, Melanie was pre-approved up to a \$118,000 CHIP Reverse Mortgage.

Note that Melanie does not need to take the full approval amount all at once, but initially she must take out enough to pay off the existing mortgage.

Here is a summary of the ten-year forecasted outstanding mortgage amount, property value and equity based on Melanie taking a \$100,000 reverse mortgage.

Current Numbers:

Mortgage Amount	Home Value	Equity
\$100,000	\$280,000	\$180,000

Numbers forecasted in 10 years. The historical average increase over the last 15 years has been about 8%* in the province of BC. For illustration purposes I have reduced the percentage increase to obtain a very conservative estimate of the future home’s value.

Appreciation	Mortgage Amount	Home Value	Equity
5%	\$178,694	\$456,090	\$277,397
4% *	\$178,694	\$414,468	\$235,775
3%	\$178,694	\$376,297	\$197,603

Melanie was pre-approved for a \$118,000 reverse mortgage but chose to only access \$100,000 to pay off her existing mortgage. She now has \$18,000 available to fund both her

future travel plans and to stay and age in place. Her new reverse mortgage is for \$178,694. Assuming a conservative 4% appreciation, her forecasted ten-year equity is \$235,775.

Client Situation Two: Aging in Place & More Time Spent with Family

John & Patty Doe aged 76 and 72 respectively are active retirees. They enjoy entertaining in their home, gardening, three vacations per year, and spending time with children and grandchildren in both the Okanagan and Alberta. Their financial planner has warned them that at the pace they are spending, they will outlive their savings! John and Patty have been living in the same five-bedroom, four-bathroom home for several years and have no plans to move anytime soon.

Property Address: North Vancouver BC
\$2,000,000 = Property Value of single-family residence
\$ 300,000 = Existing Home Equity Line of Credit

Income: combined \$110,000 annually

Savings: \$400,000 RIF

Solution:

Qualified for a CHIP Max Reverse Mortgage: \$870,000
Pay off Home Equity Line of Credit: - \$300,000
Accessible Tax-Free Equity: \$570,000

John and Patty were able to choose from two Home EquityBank Reverse Mortgage products:

Option 1: CHIP Max

Up to \$570,000 lump sum or minimum \$25,000 initial advance, minimum \$5,000 for subsequent advances.

Option 2 Income Advantage

Up to \$453,000 initial advance or minimum \$20,000+ planned advances from \$1,000 a month. *The budget topper!!* Note with this option, interest is only charged on the funds actually advanced, rather than on the total funds qualified for.

In this situation, John and Patty only need to determine the desired amount of the initial lump sum and of subsequent advances which will allow them to achieve their goals, keeping in mind that they don't want to pay interest on advances they do not need right away.

Client Situation Three: Buy a Second Home in Palm Springs

Jim & Patricia Smith, aged 79 and 78, love spring and summer in Vancouver but dream of spending the winters in warmer weather. They want to buy a \$500,000 USD 2,600 sqft 3-bedroom, 2-bathroom townhouse in Palm Springs which would allow them enough room to host extended family.

They did not have any luck getting a mortgage in the US and with the new mortgage could not refinance their Yaletown condo to pay for the townhouse purchase.

Property Address: Aquarius Mews, Vancouver BC

\$1,500,000 = Property Value of Yaletown condo
\$ 50,000 = Existing Mortgage

Solution:

Qualified for a Reverse Mortgage for: \$650,000

Paid off Home Equity Line of Credit: - \$ 50,000
Accessible Equity Tax Free: \$600,000

Jim & Patricia utilized the **CHIP Max** product by doing a lump sum advance of \$600,000 and purchased the Palm Springs condo in cash!

Client Situation Four: Spousal Buyout

Kim Betternow, aged 78 years, had been living together with her former spouse for 30 years. However, she was never on the title of the home. She wants to stay in the home post separation. Kim was a stay-at-home mother, so for income purposes would only qualify for an extremely limited amount of mortgage funds. Since a reverse mortgage only considers age, home appraisal and location this is a more realistic choice.

Property Address: Royal Oak Ave, Burnaby, BC

\$1,750,000 = Property Value of single-family residence
\$ 850,000 = Total Secured Debt to Be Paid Out (mortgage, spouse, joint debts)

Solution:

CHIP Max Home Equity Bank Reverse Mortgage \$630,000
Second Mortgage \$220,000
Paid out mortgage + Spouse + Lawyer - \$850,000
Total Debt \$ 0,000

Kim has paid out her former spouse, received title on her home and obtained a second mortgage on the back end of her reverse mortgage.

Client Situation Five: Aging In Place & Gift a Down Payment

Barry (83) and Debbie (81) have lived in their home for many years and love living centrally in Toronto. Over the last few years, they have been aggressively watching the market and looking for a home to downsize into. They have become extremely frustrated because they could not find a home worth buying.

They watched their two children purchase condos in the greater Toronto area in 2012 and 2013. Both kids now have growing families of their own and are each planning to make the next step from small condo living into single family homes, but the prices are just out of reach.

The solution for Barry and Debbie was an Equitable Bank *reverse mortgage*. Since they planned to *Age in Place*, they also took a bit of money to do renovations to their home. The completed renos will bring up the property value to over \$2,000,000.

Property Address: Regent Road, Toronto, Ontario

\$1,900,000 = Property Value of single-family residence
\$ 0,000 = Total Secured Debt to Be Paid Out

Solution:

Approval for an Equitable Bank Reverse Mortgage of \$703,000

They decided not to take the full amount for now. The proceeds of the *reverse mortgage* were split as follows:

Daughter Down Payment Gift \$225,000
Son Down Payment Gift \$225,000
Age in Place Home Renovations \$100,000

Client Situation Six: Selling to payout debt rather than Aging in Place

In this example you will see how the clients lost money by selling their home in 2013 to pay out debt and rent, rather than doing a *reverse mortgage* and seeing their home equity grow.

Property Address: Capilano Road, North Vancouver

\$775,000 = April 13, 2013 Property Value of Single-family residence
\$125,000 = Outstanding Mortgage Amount
\$ 80,000 = Other debts
\$ 27,250 = Realtor fees when they sold
\$542,750 = Cash put in the bank after selling

Clients then rented a house in the same area for \$2,700 a month. Since then the rent has increased to over \$2,850 a month.

Missed Opportunity:

Five years later in April of 2018 that same house sold for \$1,300,000.

\$1,300,000 = April 2018 Property Value
\$ 775,000 = April 2013 Property Value when they sold
\$ 525,000 = Equity they could have gained by holding onto the property just another five short years

In other words, these retirees lost out on earning \$105,000 in equity, tax-free, per year.

Frequently Asked Questions

Who can qualify for a reverse mortgage in Canada?

Each person on the title of the home is required to be at least 55 and the home is their principal residence.

What if I have an existing mortgage?

Both reverse mortgage providers in Canada require any or all current mortgages or loans secured to your home be paid out of the proceeds when your reverse mortgage is funded.

What is the maximum amount of equity I can access?

It will depend on the reverse mortgage product you choose (or can qualify for) based on age, area you live, type of home and your home's current appraised value. In some cases, we can also do a second mortgage in behind the reverse mortgage up to the federal government of Canada's restrictions to 65% of the property's current appraised value.

Am I able to pay the balance or a portion of the loan before the sale of my home?

YES. Home EquityBank and Equitable Bank each have their own set of pay-down options and guidelines.

Will the bank own my home?

NO. The homeowner always maintains ownership and has the freedom to pay down, get out of the loan, sell and move at any time.

Will I end up owing more than my house is worth?

NO. Every reverse mortgage product uses a very conservative formula to calculate the percentage of equity each applicant can access. It is a proven fact that when the loan is being repaid, 99% of applicants have more equity remaining in the home than when they first funded the reverse mortgage!

Is getting a Reverse Mortgage a last resort?

NO. Many accountants, financial advisors, estate lawyers and other financial professionals see it as an effective financial product to strengthen a retiree's financial portfolio. It not only diversifies income by providing tax free dollars, but it also preserves homeowner(s) from having to cash in taxable investments or sell in a depressed housing market.

I hear that a reverse mortgage has extremely high interest rates?

NOT TRUE. Over the years the reverse mortgage has evolved. The largest turning point in the lowering of interest rates on reverse mortgage products in Canada was in 2009 with the help of then finance minister Jim Flaherty. Home EquityBank, the only reverse mortgage lender in Canada at that time, obtained their Schedule One bank license and therefore they were able to finally offer clients competitive interest rates starting at

prime +1.25%. Reverse mortgages instantly became a first option rather than a last resort.

Is it true that Reverse Mortgage have high fees?

NOT TRUE. There is a lot of misinformation out there, usually gleaned through people viewing USA reverse mortgage products. In the United States the fees are not strictly regulated and may be five times the fees compared with Canada! In Canada, the fees are strictly regulated. Typically fees are between \$995 - \$1,795 which would include administration, appraisal, Title Insurance and independent legal advice.

Is it true that a Home Equity Line of Credit is a superior financial solution to a Reverse Mortgage?

NOT TRUE. These are two totally different mortgage products that suit different financial needs. Three simple facts that a *reverse mortgage* might be superior to a *Home Equity Line of Credit* for you in your situation:

- **Budget Friendly.** A *reverse mortgage* is the most budget friendly mortgage product in Canada because there are no monthly payments or administration fees.
- **No Qualification.** Approval is easy for a *reverse mortgage* and in most cases the approval limit will increase annually. Furthermore, in the death of a spouse the surviving spouse will not have a burden of having to qualify on their own.
- **No Change to Banking.** There is no need to alter or combine your existing bank or credit union accounts.

If I obtain a second mortgage behind a reverse mortgage, I will pay high broker/lenders fees?

NO. There are regulations in place that limit the dollar amount charged. At the time of writing, for a second mortgage under \$15,000 the fees cannot exceed 10% of the mortgage amount. For financing \$15,000-\$30,000 the fees cannot exceed \$1,500 and for financing over \$30,000 fees cannot exceed \$5,000.

Shopping for Financial Success Using a Mortgage Broker

There are a few ways to begin your quest to liberate the equity in your home. You could contact your bank to refinance your home with a new mortgage or could apply for a home equity line of credit (HELOC), you could use the internet, or use an independent mortgage broker like me.

The Internet

The Internet is an amazing tool for searching and educating yourself on products and services. When you approach individual mortgage lenders, the most accurate way for each mortgage provider to sell you on their services is for you to complete a mortgage application. However, there is a problem with this because each because multiple mortgage applications mean that your credit bureau is pulled multiple times. These multiple inquiries are a major drawback for two reasons:

1. Your credit score will decrease with each mortgage lender pulling your credit bureau.
2. Your credit bureau will confirm you are over-shopping for a mortgage, because each mortgage lender's name and the date that the credit bureau was pulled over the last few years will be listed on the first page of your credit report. It becomes a red flag to every new mortgage provider you approach since they will see you as a "shopper" who either does not follow through or there are potential problems with your situation that may make it tough to fund a mortgage transaction.

Using a Mortgage Broker

The mortgage industry has grown leaps and bounds over the last twenty years. Today, approximately thirty percent of Canadians use this value-added service to obtain the best, most well-suited mortgages for themselves.

1. Efficient use of your time

Time is money! A seasoned mortgage broker will have long standing relationships with the best traditional and alternative mortgage financing lenders in the marketplace, and a select few will have access to Reverse Mortgage products. Your mortgage broker will shop your mortgage to lenders that you are best suited for. This allows you to sit back and enjoy the process while your best financing options are brought to your attention within a very short time frame. A professional mortgage broker will help you negotiate to get a better rate and will expose prepayment penalties and other fine print that is often hidden in mortgage contracts.

2. Free Service

An independent mortgage broker gets a finder's fee from the financial institution that you place a mortgage with. That means there is no cost to you for the service. Be wary of mortgage brokers or lenders who want to charge you a fee for their services. In rare

cases this happens but make sure you get a viable reason before issuing any funds directly to a mortgage broker.

3. Experts in a changing industry

New rules and regulations are being implemented on an ongoing basis and Mortgage brokers must keep up with them. Brokers are continually taking training up-dates. Additionally, mortgage brokers are aware of updates to mortgage products based on market changes or lender promotions.

4. Independent mortgage brokers work for you

A great independent mortgage broker will discuss and negotiate with appropriate mortgage providers. They will then communicate with you about your best options before sending a mortgage lender your confidential information, therefore reducing credit bureau pulls. For debt consolidation refinancing mortgages and or reverse mortgages, mortgage brokers can often negotiate a better deal with creditors.

5. Not constrained to choose a mortgage broker based on your location

Mortgage brokers are licensed provincially, and mortgage loans are funded utilizing modern technology. This enables you to locate and work with a true mortgage professional in your province who specializes in your specific mortgage needs. I set up a toll-free telephone number years ago making it convenient for my mortgage clients who are scattered throughout Canada.

6. Not obligated to choose a mortgage lender based on their location

A mortgage broker will have great relationships with local, regional, and national mortgage providers. Most headquarters for mortgage lending institutions are located in Toronto, Ontario. So, whether you are financing a home in Victoria, BC or Halifax, Nova Scotia chances are, some of the underwriting or administration of the loan will be done in Toronto. Your mortgage could literally travel around the country during the term of your mortgage contract.

7. That extra mile

Even with utilizing modern technology during the financing processes, details can sometimes fall through the cracks. It is a mortgage broker's duty to follow up on every mortgage clients' behalf to make sure strict timelines are met.

8. Ongoing coaching and support

Placing a great mortgage is just the start of what an effective mortgage professional will help you achieve. They will also add that personal connection, coach and educate you through every mortgage contract signing, through each dip and turn in your life, through thoughts of paying down your mortgage, renewing, selling, buying, renovating, investing in other properties etc.

It is a breath of fresh air to have a true professional working with you who is aware of your real estate portfolio, credit, retirement or employment status and future goals. Their ongoing support and invaluable knowledge will inspire you to achieve your goals and suggest the steps to be done in order to obtain them!

How to Qualify an Independent Mortgage Broker

- 1. Independent Mortgage Broker:** Not all mortgage brokers are the same, some are mortgage specialists or experts that are not independent but rather work for only one mortgage lender or a small number of lenders so only have a limited number of mortgage products to offer. Why limit your options? It is best to go with an independent mortgage broker that has a great selection of local, regional and national financing options.
- 2. Length of time in the industry:** There are many facets to the industry that take a few years to learn, make sure your independent mortgage broker is seasoned.
- 3. Brokerage Network:** To maximize your mortgage options, look for an independent mortgage broker that is part of an established nation-wide brokerage network, which has many representatives across Canada.
- 4. Reference:** Feel free to ask for a reference from one or more of their clients.
- 5. Transaction Experience:** There are mortgage brokers who specialize in niche types of financing. Be certain you are working with one that truly specializes in the transaction you wish to complete.
- 6. Comfort Level:** You should never feel pressured or uncomfortable during the process of either refinancing or purchasing a property. Make sure you choose a mortgage broker you can communicate easily with and who makes you feel comfortable. You deserve someone you can trust and can be confident they will provide a professional service.
- 7. Completion Time:** If your mortgage transaction has to be funded based on a strict timeline, be sure to double check and ensure your independent mortgage broker can work with the exact date or even hour the funds are required.

Grant Powell

Reverse Mortgage Expert

Mortgage Broker with: The Mortgage Centre- Home Financing Solutions Inc.

Cell 250-486-2959

Toll Free 844-908-6789

Grant@AlternativeMortgageFinancing.net

AlternativeMortgageFinancing.net

If you find this book to be informative, please share it.