LOTUS INCOME

Free Info Kit

About Lotus Income

Serving Canada-wide, Lotus Income is Canada's first, trusted & independent company devoted exclusively to serving and informing Canadians aged 55 and older about their reverse mortgage options.

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The Plain Facts

What is a Lump Sum Reverse Mortgage?

It's a financial product that allows you to access the equity in your home and convert it into tax-free money.

Reverse mortgages in Canada are unique. They are loans secured by a home's appraised value. The homeowner has the option of making no monthly payments and deferring the payback of the loan to the time when he/she no longer occupies the home.

With a Lump Sum Reverse Mortgage, you can choose to receive your cash as a lump sum (all of it upfront), or as a lump sum with additional advances over time.

What is an Equity Pension Reverse Mortgage?

It's a financial product that allows you to access the equity in your home and convert it into tax-free money. It's like a pension. You can choose to receive your cash in either monthly installments, or in quarterly installments (every 3 months), to suit your needs. You can also start the Equity Pension with a lump sum amount of your choice.

Who Qualifies For These Income Options?

- Homeowners in Canada
- You must be 55 years old (or older)
- Your home must remain your primary residence

Purpose Of Funds (How Can You Use The Cash?)

The short answer: You can use the money however you please.

Some Ways Canadians Use Reverse Mortgage Funds:	
(1) Day-to-Day Living Expenses	(2) Preserve Investments, Assets, Savings
(3) Not Have to Move and Stay in Your Home	(4) Debt Consolidation
(5) Gifts to Family or Loved Ones (Living Legacy)	(6) Medical Costs, Live-In Care, In-Home Care
(7) Purchase a New Home or Cottage	(8) Making their Cash-Flow Tax Efficient
(9) Purchase or Rent a Vacation Property / or an Investment Property to Generate Income	(10) Improve Your Cash Flow
(11) Renovations / Home Improvements	(12) Funding their Retirement

Some Ways Canadians Use Reverse Mortgage Funds:	
(13) Disability Expenditures	(14) Estate Needs: Pay Insurance Premiums
(15) Early Inheritances	(16) Vacations, Travel
(17) Hobbies, Personal Projects	(18) Education for Self or Family Members

What Are The Options To Receive the Tax-Free Cash?

For a Lump Sum Reverse Mortgage the options are:

1. In a single lump sum. This means you receive 100% of the funds you are approved for, all at once.

2. As an initial lump-sum with additional advances over time. This means you receive less than the total amount of funds you are approved for, and set the rest aside, and then draw from them over time, as you please.

The minimum amount of funds for the initial lump sum is $25,000. This is regardless of whether you receive all of your available funds in a lump sum, or an initial lump sum amount with additional advances over time.

The minimum amount of funds for any additional advance is $5000.

For an Equity Pension Reverse Mortgage the options are:

1. In a single lump sum followed by ongoing, monthly income or quarterly (every 3 months) income.

2. In a single lump sum followed by ongoing, monthly income or quarterly (every 3 months) income, with additional lump-sum advances over time, whenever you please.

The minimum amount of funds for the initial lump sum is $25,000. There is no maximum.

The minimum amount of funds for ongoing, monthly income is $1000 per month. There is no maximum.

The minimum amount of funds for ongoing, quarterly income is $3000 per quarter (every three months). There is no maximum.

The minimum amount of funds for any additional lump-sum advances is $5000.

How Can There Be No Monthly Payments Required?

Reverse mortgages in Canada are designed for people aged 55+, who are usually on fixed incomes (regardless of the amount of monthly income). Because of this, there are no required monthly payments.

Who Will Own My Home?

You will. You maintain full title and ownership of your home.

You are in charge. You have control. You maintain ownership of your home. The bank (lender) will not own your home.

- **Your responsibilities:** Your home must remain your primary residence. Simply keep your property well maintained, and pay your home insurance and property taxes. That's all you have to do.

Guaranteed by reverse mortgage lenders in Canada: unlike other mortgages, with a reverse mortgage in Canada you will never be asked to leave your home as long as you fulfil your responsibilities. Reverse mortgages in Canada are not demand loans, which means the bank (lender) can not demand payment, cancel the loan, or force you to re-qualify as long as you live in the home, keep the property taxes and home insurance up to date, and maintain the home in proper condition.

Are Reverse Mortgages Safe?

Unlike in the USA, in Canada reverse mortgages are very conservative and designed to protect both the homeowner and the equity in the home. This makes them very safe. In Canada only the most highly-regulated banks (called "Schedule 1 Banks") provide reverse mortgages. These banks are federally-regulated, under the scrutiny of OSFI, the Office of the Superintendent of Financial Institutions. Reverse mortgage lenders in Canada are under the same regulations as Canada's "Big Six" banks, which are RBC, Bank of Montreal, CIBC, TD, Scotiabank, and National Bank of Canada.

Reverse mortgages in Canada are all about conservative lending practices. This means that the lenders will never allow more than 55% of the home's equity to be borrowed. Lenders guarantee fair-market value if the reverse mortgage value exceeds the property value. If the property decreases to a point where it is below the mortgage value, the lender will absorb the shortfall.

How Much Money Can I Receive?

You can convert up to 55% of your home's value into tax-free cash. 55% is the maximum amount a homeowner can qualify for. How much you qualify for depends primarily on three things: (1) your age, (2) your property, and (3) your property's location.

For example:

Your Home's Value	Max. Equity Conversion	Max. Cash Amount
$500,000	55%	$275,000
$750,000	55%	$412,500
$1,000,000	55%	$550,000
$1,500,000	55%	$825,000
$3,000,000	55%	$1,650,000

Find Out How Much Your Home Will Qualify For

For an exact number, click here to answer three quick questions and we'll give you an exact number within 1 to 12 hours.
Or call 1-888-228-0082.

What About Repayment Of The Loan?

A reverse mortgage can be paid back at any time. Repayment usually occurs when homeowners sell or move. Since over 90% of Canadians 60+ want to remain in their homes as long as possible, most reverse mortgages are paid back when the homeowners have passed away.

Repayment is only required when the homeowners choose to move, or to sell the home. Usually the home is sold and the money from the sale is used to pay back the reverse mortgage, and then the remaining cash is paid to the homeowners or to their Estate. If the homeowners pass away, for example, and the inheriting parties choose to keep the home, then they can pay back the reverse mortgage by using/obtaining financing of their choice.

You always have the option to make advance interest payments in case you wish to reduce the amount owing at the end of the reverse mortgage.

When Does The Loan End?

That's up to you. As long as your home remains your primary residence, and you keep your property well-maintained, and you pay your home insurance and property taxes, the loan can last as long as you want. If one of the homeowners (for example, a spouse) passes away, the other homeowner can continue living in the home as long as he or she wishes, as long as these simple conditions are met.

What Happens If My Home Decreases in Value?

Nothing changes with your reverse mortgage. You will continue to have peace of mind. The loan amount can't be demanded by the bank because the property decreases in value.

Guaranteed by reverse mortgage lenders in Canada: the loan amount you eventually repay will never exceed the fair market value of your home.

What Happens If My Home Increases in Value?

If your home increases in value, then those gains in value (equity) are all yours. In addition, you'll have the option to refinance the reverse mortgage (if you choose to) and convert the additional equity into more cash.

Will A Reverse Mortgage Wipe Out My Equity?

The homeowner keeps all the equity remaining in the home after the reverse mortgage is paid off. In over 30 years (since 1986, when reverse mortgages were first offered in Canada), over 99% of homeowners have equity left over when their reverse mortgage is repaid. On average, the amount of equity left over is more than 50% of the value of the home.

How much equity you have will depend on three things, (1) how much you borrow, (2) the home's fair market value, and (3) the amount of time that passes from the date the reverse mortgage is first put on your home.

On average, most homes in Canada rise in value every year. These gains in home equity can offset some (or even ALL) of the reverse mortgage amount.

Aren't The Interest Rates High?

The interest rates for reverse mortgages are modestly higher than the interest rates for conventional bank mortgages, but much lower than the interest rates of private mortgages.

Why is this? It's because reverse mortgages are far riskier for the bank than conventional mortgages. Unlike getting a conventional mortgage, qualifying for a reverse mortgage is based strictly on the homeowner's age and property value. There are no required monthly payments. Lastly, reverse mortgages, unlike conventional mortgages, are not demand loans (they are not "callable" loans), which means the lenders can never demand payment, cancel the loan, or force you to re-qualify as long as you live in the home, keep the property taxes and insurance up to date, and maintain the home in proper condition.

To see current rates for reverse mortgages in Canada, click here.

How Can Rising Home Values Offset the Reverse Mortgage Interest Rate ?

If a home rises enough in value, then this rise can offset some (or all) of the amount of reverse mortgage interest accruing against the home. This has not been uncommon in many big Canadian cities, especially in Ontario and British Columbia, where rising home values have outperformed many other investment types.

To see how this works, click here to use your home's value in different scenarios of rising home values and reverse mortgage interest rates.

Will Reverse Mortgage Funds Affect My Government Benefits?

No, they won't. The cash from a reverse mortgage is tax-free income. Any government benefits you receive, such as Canada Pension Plan (CPP), Old Age Security (OAS), or Guaranteed Income Supplement (GIS) will not be affected.

What If I Already Have An Existing Mortgage?

Not a problem. Many Canadians use reverse mortgage funds to pay off existing mortgages and even other debts as well, such as credit card debt, car loans, and so on. Any debts secured by the home (such as existing mortgages, lines of credit, home equity loans, liens, etc.) must be paid off from the reverse mortgage funds. The homeowner gets all the remaining reverse mortgage funds.

Is Downsizing Better Than Getting A Reverse Mortgage?

Most people underestimate how disruptive downsizing really is. There are many expenses; moreover, it usually ends up taking longer and being more complex than expected. Lastly, homeowners underestimate how drastically it changes their lifestyles. Because home prices are currently so high in Canada, downsizing usually means at least two things: (1) moving into a smaller home, and (2) moving to a different neighbourhood, city, or even province. Most

Canadians don't want to leave the neighbourhoods they love. Many Canadians downsize in order to free up money for retirement, but the extra cash is often gone sooner than they expect. Expenses often add up with renovations, unexpected costs, commissions paid to real estate brokers, legal fees paid to lawyers, and lastly, land transfer taxes. A reverse mortgage is a much more controllable, predictable way for homeowners to secure safe funds after they reach 55 years of age.

Most Common Alternatives to Reverse Mortgages

(1) Selling the Home or Downsizing	(2) Trying to Take Out a Conventional Mortgage or HELOC (Home Equity Line of Credit)	(3) Taking Out a Home Equity Loan (Private Mortgage)
Problem: Undesired In a 2018 survey, over 90% of Canadian retirees did not want to move or downsize.	Problem: Income Requirements These mortgage types have ever-increasing income and employment requirements that exclude many Canadians aged 55+	Problem: High Fees Erode Equity The fees for arranging a private mortgage range from 1.5 - 4.5%, which diminishes the homeowner's equity.

(1) Selling the Home or Dowsizing	(2) Trying to Take Out a Conventional Mortgage or HELOC (Home Equity Line of Credit)	(3) Taking Out a Home Equity Loan (Private Mortgage)
Problem: Relocating Because of rising home values, most Canadian retirees who sell must move anywhere from 5 to 200 km away from the neighbourhoods they know and enjoy.	Problem: Credit Requirements Strict credit rules are common for these mortgage types, which usually require a clean credit history and a sizeable "body of credit" for each homeowner.	Problem: Unsustainable Interest Interest rates on private mortgage funds can be as high as 18%/year, which wipes out most of the month's income for people on fixed income.
Problem: Healthcare Access Downsizing and moving away from city centres increases the distance and accessibility to healthcare facilities that many retirees require readily-available access to.	Problem: Monthly Payments Conventional mortgages and HELOCs require monthly payments, usually on both principal and interest.	Problem: Monthly Payments Private mortgages and home equity loans require monthly payments, usually on both principal and interest.

(1) Selling the Home or Downsizing	(2) Trying to Take Out a Conventional Mortgage or HELOC (Home Equity Line of Credit)	(3) Taking Out a Home Equity Loan (Private Mortgage)
Problem: Social Circles Most people aged 55+ want to enjoy spending time with their loved ones and friends and community. Moving away hinders this.	Problem: The Need to Re-Qualify These mortgages carry significant risks of non-renewal by the lender at the end of the mortgage term.	Problem: The Need to Re-Qualify These mortgages carry significant risks of non-renewal by the lender at the end of the mortgage term, which is typically 1 or 2 years. Private mortgage are short-term solutions.
Problem: Limited Savings Moving usually doesn't free up the amount of funds required to sustain people throughout their retirement. 75% of retirees run out of money in less than 8 years.	Problem: “Demand" Loan These types of mortgages are demand loans, which means the lenders can cancel for any reason and demand payment in full. This puts the homeowners in danger of power of sale, foreclosure, and eviction.	Problem: "Demand" Loan These types of mortgages are demand loans, which means the lenders can cancel for any reason and demand payment in full. This puts the homeowners in danger of power of sale, foreclosure, and eviction.

Is A Reverse Mortgage A Loan Of Last Resort?

Absolutely not. Financial planners and wealth managers are increasingly recommending reverse mortgages as an important component of a comprehensive, tax-efficient retirement plan. The real loans of last resort are home equity loans and private mortgages - their fees and interest rates are prohibitive to most people on fixed incomes, and as "demand loans" they put the homeowner in danger of foreclosure and eviction. Reverse mortgages, on the other hand, have fair interest rates, come exclusively from Canada's most highly-regulated banks, and will never require the homeowners to leave the home.

What Are The Fees With A Reverse Mortgage?

Lotus Income charges no fees to the homeowner. Lotus Income's services are 100% free to the homeowner. The only upfront expense for the homeowner is the home-appraisal fee, which is paid to the independent home appraiser. This costs typically $250 to $450. The other fees are all paid out of the mortgage funds. In most cases the three fees for a reverse mortgage in Canada are: (1) home appraisal fee (a one-time fee paid to the home appraiser, typically $250 to $450), (2) the fee for independent legal advice (a one-time fee paid to the homeowner's lawyer, typically $200 to $1000), and (3) the loan set-up and administration fee (a one-time fee paid directly to the reverse mortgage lender (the bank), which costs $1795. Nothing is paid by the homeowner to Lotus Income. Again, the only fee that the homeowner pays out of pocket is the appraisal fee.

Rates (Interest Rates and Durations)

Out every 10 Canadians with a reverse mortgage product, 9 recommend it to other homeowners.

The homeowners can choose a fixed rate, or a variable rate. The homeowners can switch to either during the mortgage term itself, or at the end of the term. If the homeowners have a fixed rate and want to switch to another rate during the current term, then an interest rate differential may be applicable. If the homeowner has a variable rate, he or she can switch to a fixed rate at any time.

The homeowner does not have to re-qualify or pay for anything at the end of the mortgage term (6-month, 1-year, 2-year, 3-year, or 5-year). The bank will simply contact the homeowners, inform them of the banks updated interest rates, and the mortgage continues as before. *Do you want to see the terms (durations), fees (paid to the bank out of the mortgage proceeds), annual percentage rates, and interest rates available today?*

To open our webpage with today's rates, click here.

Calculator For Offsetting The Loan's Interest-Rate

See How Your Home Performs in Different Scenarios

Use the calculator online (click here to open the calculator online) to see how rising home values can offset some (or even all) of the amount of reverse mortgage interest accruing against your home. If your home's value rises enough, it can even offset the original reverse mortgage loan amount (the "principal"). In highly concentrated urban areas, such as those in Ontario and British Columbia, a complete offset of the loan has not been uncommon.

To **open** the online calculator click here.

4 Easy Steps to Use the Calculator Online:

1. At the top, where you read "Interest Rate", choose an interest rate and term (duration) by clicking on 1 of the 6 Interest Rate buttons.

2. Beneath "What's Your Home's Estimated Value?", input your home's estimated value by sliding the green dot to the number you want.

3. Beneath "How Much Money Do You Want?", input your desired reverse mortgage amount by sliding the green dot to the number you want.

4. Beneath "How Much Does Your Home Appreciate in Value Every Year?", input your expected home appreciation value by sliding the green dot to the number you want.

For the **Equity Pension Reverse Mortgage**, if you want to try out different scenarios, then perform these easy additional steps on the online calculator:

5. Beneath "How Much Money Do You Want As A First Lump Sum?", input your desired first lump sum amount by sliding the green dot to the number you want.

6. Lastly, beneath "How Much Money Do You Want To Receive Each Month, As Ongoing Monthly Income?", input your desired ongoing monthly income amount by sliding the green dot to the number you want.

The results of each scenario are shown instantly in the graph and table below the online calculator.

To **open** the online calculator click here.

Process To Receive And Use Your Cash

Stress-Free Application Process

Lotus Income Is Independent From The Banks.

Our Service Is 100% Free To You, The Homeowner.

We Are Paid By The Lender.

1. Get in touch with us by clicking here and answering 3 simple questions.

2. We patiently answer any questions you have and tell you how much money you could qualify for.

3. As experts, we simplify and streamline the application process for you.

4. After applying, we arrange a home appraisal for you.

5. You review your personalized reverse mortgage offer with an independent lawyer of your choice. We can also give you a list of lawyers in your area.

6. Receive your money.

Application Costs

Lotus Income Charges No Fees To The Homeowner.

All Costs (Except The Appraisal) Are Deducted From The Mortgage Proceeds.

1. Bank/Lender Set-Up and Loan Administration

Banks/lenders in Canada charge a one-time fee of approximately $1795 to setup and administer a reverse mortgage.

2. Home Appraisal

Approximately $175–$400 for most properties. This is the only out-of-pocket expense for the homeowner.

3. Independent Legal Advice

Approximately $300 - $600 for most cases.

4. Property Taxes

Must be either up-to-date, or brought up-to-date out of the mortgage proceeds.

93% of Canadian homeowners aged 65+ prefer retiring in their own homes.

Eligible Property Types

The Minimum Home Value For A Reverse Mortgage Is $150,000.

Most Residential Properties Across Canada Are Eligible.

Ineligible Property Types

The property types below are not eligible for a reverse mortgage. If you own any of these property types and would like to release equity (cash) from them, we can provide you with alternative options.

- Commercial, storefront, and industrial properties
- Rental properties, including Airbnb rentals in the primary residence
- Township-owned land, Crown lands, and Native land or reserves
- Any property with a history of drug-related/grow-operations
- Floating homes
- Co-ops, co-ownerships, and undivided ownership

- Vacant land
- Boarding/rooming houses
- Working farms
- Properties with over 160 acres

Documentation Requirements

1. Valid and adequate home insurance
2. Property tax statement (for the current year, or a deferred tax statement)
3. Two pieces of valid identification
4. If applicable, power of attorney and power of attorney identification
5. Current statements for any debts secured by the property

Subsequent Advances

What Are Subsequent Advances?

Often the bank makes more money available to the homeowners than they want. Homeowners can request these extra funds at any time. These requests for extra funds are called "subsequent advances.”

Homeowners with either reverse mortgage type (Lump Sum -or- Equity Pension) can receive their funds in subsequent advances.

Homeowners will have access to subsequent advances in two scenarios:

1. If the homeowners choose not to receive all the money available to them (that they qualify for) in a lump sum; or

2. Their home rises in value and the bank offers them more money.

Receiving subsequent advances requires no modification to the reverse mortgage agreement, and no regular payments.

Minimum Amount

The minimum amount for a subsequent advance is $5000.

Fee For Each Subsequent Advance

Each subsequent advance has a $50 processing fee, paid to the bank/lender.

Interest Rate On Subsequent Advances

For homeowners with a variable interest rate, interest will accrue on your subsequent advance at the current interest rate for your reverse mortgage.

For homeowners with a fixed interest rate, interest will accrue on your subsequent advance at a weighted average for the remainder of your current reverse mortgage term (duration). This is done when there is a difference between your interest rate and the bank's current posted rate.

Prepayment

Paying OFF the Reverse Mortgage WITHIN The First 3 Years

Within the first 3 years of getting your reverse mortgage, and in certain scenarios, you can pay it off completely according to the*following table*:

Timeline or Scenario	Prepayment Charge
0 to 12 months	5% of the reverse mortgage balance
13 to 24 months	4% of the reverse mortgage balance
25 to 36 months	3% of the reverse mortgage balance
Death of homeowner or last surviving spouse	No prepayment charge, regardless of when death occurs
Move to Nursing Home	Charge reduced by 50%

Paying OFF the Reverse Mortgage AFTER 3 Years

After 3 years of getting your reverse mortgage, you can pay it off completely by paying 3 months' interest on the amount you pay back.

After 5 years and in certain scenarios, you can pay it off completely according to the *following table*:

Timeline or Scenario	Prepayment Charge
Death	No prepayment charge
Move to Nursing Home	Charge reduced by 50%
After 5 years and within 30 days following term (interest) reset date	No prepayment charge

Paying DOWN The Reverse Mortgage

There are two options to pay down a reverse mortgage in Canada without paying any prepayment charge:

1. Once per year, within 30 days of your reverse mortgage anniversary date, you can pay down 10% of the amount owing without any prepayment charges.

2. Homeowners with a Lump Sum Reverse Mortgage have the option of setting up regular interest payments, of a fixed amount, by automatic withdrawal.

3. Homeowners have the option of combining options one and two.

Porting A Reverse Mortgage To Another Property (Portability)

If you refinance your reverse mortgage on a new property, the lenders will waive the fees. A reverse mortgage is not portable in the traditional sense. This is because reverse mortgage lenders focus on the specific property (the home) and its value, and focus far less on the borrower's income. With conventional mortgages, on the other hand, the lender requires the borrowers to have strong incomes and excellent credit histories. With a reverse mortgage, this is not a requirement.

Myths About Reverse Mortgages

More and more financial planners and wealth advisors recommend reverse mortgages in Canada as an important component of a comprehensive, tax-efficient retirement plan. Most myths in Canada about reverse mortgages come from the USA, where very different rules apply and where reverse mortgages lack the safeguards used in Canada.

Myth #1: The Bank Will Own My Home

Fact: The homeowner always maintains control and title ownership of their property and home, and the homeowner is free to decide when (and if) they ever want to sell the home or move.

Myth #2: People With Reverse Mortgages End Up Owing More Than Their Home is Worth.

Fact: In Canada, the homeowner will never owe more than the home is worth because of a reverse mortgage. Any shortfall would be the bank's loss, not the homeowner's, Conservative lending practices allow the homeowner to receive a maximum of 55% of the home's appraised value. 99% of Canadians with reverse mortgages have plenty of equity remaining in the homes after the reverse mortgage is repaid.

Myth #3: The Interest Rates Of Reverse Mortgages Are Very High

Fact: The interest rates are far lower than those of home equity loans and private mortgages, and only modestly higher than the rates of conventional mortgages, all of which are "demand loans." Keep in mind that reverse mortgages in Canada are not demand loans - the bank can not cancel the loan once it's been issued to the homeowner. Moreover, no payments are required, and there are no strict income or credit requirements, all of which hinder Canadians aged 55+ from obtaining conventional mortgages in the first place.

Myth #4: Reverse Mortgage Are Loans Of Last Resort

Fact: More and more wealth managers and financial professionals recommend reverse mortgages in Canada because of their unique financial flexibility. Homeowners use this tax-free money to keep their other investments and savings in tact, making them last longer and further growing their estates.

Myth #5: A Homeowner With An Existing Mortgage Cannot Get A Reverse Mortgage

Fact: Many homeowners use their reverse mortgage cash to clean up their finances and pay off their existing mortgages, debts, and so on.

Myth #6: HELOCs (Home Equity Lines of Credit) Are Better Than Reverse Mortgages

Fact: HELOCs are "demand loans," just like conventional mortgages, private mortgages, and home equity loans. With these loans, the lender "demand" or "call" the loan, and require payment in full, at any time, for any reason. Moreover, HELOCs require monthly payments. HELOCs can be a short-term borrowing option for people who can easily pay the interest and loan in the near future. But as demand loans they have significant risks of non-renewal, or worse, outright cancellation. A reverse mortgage, on the other hand, is a long-term financial solution that is not a demand loan and can even prolong your retirement savings.

Myth #7: The Reverse Mortgage Lender Can Foreclose At Any Time

Fact: A reverse mortgage is a lifetime product. In fact, as long as property taxes and insurance remain in good standing, and the property remains in well-kept condition, and the homeowner lives in the home, the loan will not be demanded even if the home were to decrease in value. With a reverse mortgages the homeowners can stay in their home as long as they want.

Myth #8: A Surviving Spouse Will Get Stuck Paying The Loan Off

Fact: Nothing changes to the reverse mortgage if only one of a home's owners passes away. The surviving spouse can remain in the home without having to make any payments on the reverse mortgage until he/she chooses to sell the home.

FAQ - Frequently Asked Questions

Reverse mortgages came to Canada in 1986, but they have been around in the USA since 1961, when a loan officer in Maine realized a way to help a widow stay in her home after the loss of her husband's income.

In the USA, reverse mortgages have changed a lot since the 1960s.

But in Canada, reverse mortgages are still very conservative, and designed to protect both the homeowner and the equity in the home.

Only Canada's most highly-regulated banks provide reverse mortgages. These banks are commonly known as "Schedule 1 Banks," the same bank category as RBC, Bank of Montreal, CIBC, TD, Scotiabank, and National Bank of Canada.

A reverse mortgage in Canada is one of the safest mortgage types available.

Proceeds are tax-free with no impact on working or pension income. A reverse mortgage in Canada has a maximum loan amount of 55% of the value of the property. This is a conservative approach that ensures borrowers will have equity remaining in their property when they pay off the reverse mortgage.

If any of your questions are not answered below, or if you'd simply like to speak with someone, please click either of the buttons below.

What is a reverse mortgage in Canada?

Just like a conventional / traditional mortgage, a reverse mortgage is a loan, secured by your home, that allows you to access the equity in your home and convert it into tax-free cash. You have no monthly payments to make and you defer paying back the loan until the time when you no longer occupy the home.

Won't the bank own the home?

The bank will NOT own the home. You retain full title and ownership of the home. The homeowner has the freedom to decide when (and if) he or she would like to move or sell the home.

How come some people have MORE equity after a reverse mortgage?

That's because the value of their homes increased enough to offset the costs of the reverse mortgage. Rising home values across Canada can offset much (or even all) of the reverse mortgage principal loan amount and interest. This has not been uncommon in many big cities, especially in Ontario and British Columbia, where rising home values have outperformed many other investment types.

Aren't the interest rates for reverse mortgages high?

Unlike a conventional mortgage, qualifying for a reverse mortgage is based strictly on the homeowner's Age and Property Value. Monthly mortgage payments of principal and interest are not mandatory with a reverse mortgage. These unique features of reverse mortgages are reflected in their interest rates which are modestly higher than the interest rates for conventional bank mortgages, and still much lower than the interest rates of private mortgages. Also, unlike conventional mortgages, reverse mortgages have practically no income or credit requirements. Keep in mind as well that reverse mortgages, unlike conventional mortgages, are not demand loans (they are not callable loans), which means the lenders can NEVER demand payment, cancel the loan, or force you to re-qualify as long as you live in the home, keep the property taxes and insurance up to date, and maintain the home in proper condition.

Will I ever be forced out of my home because of a reverse mortgage?

As long as you maintain your property taxes and property insurance, you will NEVER be asked to leave your home because of a reverse mortgage. You will remain the owner of your home. Y ou will never owe more than your home is worth. Reverse mortgages are designed to safely provide tax-free income to Canadian homeowners aged 55 and older. All you are required to do is keep your property taxes current and maintain home insurance and keep your property well-maintained.

What happens if my home decreases in value?

This won't affect the reverse mortgage, not in Canada. With a reverse mortgage, this risk becomes the bank's problem, and as long as (1) the property taxes and insurance are in good standing, (2) the property remains in good condition, and (3) the homeowner lives in the home, then the loan won’t be called under any circumstances, even if the home decreases in value. The homeowners have peace of mind and can remain in their homes as long as they wish.

Does the homeowner have to make payments?

No. There are no required monthly payments with a reverse mortgage in Canada. As long as the homeowner lives in the home, no payments are needed. The mortgage is only required to be paid back when you choose to move, or sell your home. You always have the option (not requirement by any means) to make advance interest payments in case you wish to reduce the amount owing at the end of the reverse mortgage.

How does a reverse mortgage work?

Your home holds a certain amount of equity, a cash value. A reverse mortgage lends the homeowner money in exchange for a lien on a portion (up to 55%) of the home's equity. You receive cash from the bank either in lump-sum amounts, or according to a schedule of your choice, like a monthly pension, for example. There are no regular mortgage payments to make as long as you or your spouse live in the home. This is why reverse mortgages are gaining such popularity in Canada, Australia, the United Kingdom, Denmark, the USA, and other highly-developed countries.

Who can get a reverse mortgage?

In Canada you must be a homeowner aged 55 and older. If you have a spouse, then your spouse must be aged at least 55 as well. Lastly, you must live in a Canadian province, not a territory (such as Yukon or Nunavut).

Will a reverse mortgage affect my Canadian government benefits?

No. The cash from a reverse mortgage is tax-free income. Any government benefits you receive, such as Canada Pension Plan (CPP), Old Age Security (OAS), or Guaranteed Income Supplement (GIS) will NOT be affected.

How long does the reverse mortgage last?

It lasts as long as you want. This means that, as long as (1) the property taxes and insurance are in good standing, (2) the property remains in good condition, and (3) the homeowner lives in the home, then the loan won't be called under any circumstances, even if the home decreases in value. If one spouse dies, the other can continue living in the home as long as he or she wishes, as long as these conditions are met.

How is a reverse mortgage repaid?

A reverse mortgage is repaid when the last surviving homeowner (the last borrower of the reverse mortgage) either leaves the home or passes away. Usually the home is sold and the money is used to pay back the reverse mortgage, and then the remaining cash is paid to you or to your Estate. If your Estate chooses to keep the home, the people involved can pay back the reverse mortgage loan by using/obtaining financing of their choice.

What are the homeowner's obligations?

Four simple things. One, you must live in the home (at least over six months per year, even six months plus one day is sufficient). Two, you must pay property taxes on time. Three, you must maintain the property's insurance. And four, you must maintain the property in good condition.

If I die, will my surviving spouse be stuck paying back the reverse mortgage?

No. If one homeowner passes away, then the surviving spouse can choose to remain in the home (and doesn't have to make any payments) or sell the home. Reverse mortgages in Canada protect the homeowners' rights to live in their home as long as they choose.

How much money can the homeowner get?

Depending on your age, the maximum amount of cash you may qualify to receive is 55% of your home's value. For example, if you own a home worth $500,000, then you could potentially receive up to $275,000.

What determines how much money the homeowner gets?

Three factors determine how much money you can get. The first factor is your age (and, if you have a spouse, your spouse's age). The older you both are, the more money you can receive. The second factor is the type of home (for example: detached, condo, townhouse, etc.) and its location. If you own a home in a city, you typically qualify for more money than if you own a home in the countryside or in a rural community. The third factor is your home's current appraised value--how much it's worth, today. You can get an estimate right now of how much money you could get by clicking HERE.

What can I do with the mortgage funds, the cash?

You can use it as you please. Here are some things people with reverse mortgages currently do with their money: (1) they renovate their home, (2) they help the people they love, such as children, grandchildren, friends, etc., (3) they pay off debts, (4) they take care of unexpected expenses, (5) they enjoy the retirement they deserve, (6) they travel, go on vacations, go on cruises, (7) they purchase vacation properties. It's really up to you, the homeowner.

What if the homeowner already has an existing mortgage?

Not a problem. Many Canadians use a reverse mortgage to pay off existing mortgages and even other debts as well, such as credit card debt, car loans, etc. Any debts secured by the home (such as existing mortgages, lines of credit, home equity loans, liens, etc.) will be paid off from the reverse mortgage funds. The homeowner gets all the remaining mortgage cash.

Can I end up owing more than the home is worth?

No. As the homeowner, you keep ALL the equity remaining in the home. Since well over 30 years ago (in 1986, when the reverse mortgage was offered in Canada), over 99% of homeowners have equity (cash) left over when their reverse mortgage is repaid. Currently, on average, the amount of equity left over is more than 50% of the value of the home. How much equity you have will depend on how much you borrow, the home's value, and the amount of time that passes since the reverse mortgage is first put on your home. Keep in mind that, although not guaranteed, most homes will continue to increase in value, which can offset some (or even all) of the reverse mortgage's amount.

What happens if my home increases in value?

If your home increases in value, then your home equity increases - this means you have the option to refinance the reverse mortgage and pull out the additional equity in your home. If at any time you want more reverse mortgage funds, you always have the option of having your home re-appraised to determine how much more cash you are entitled to. If your home increases in value, and you choose to do nothing, then it means when your home is sold, there would be more funds left over that would go to you or to your heirs.

How does the homeowner receive the money?

There are options for you to choose from. You can receive all the money you’re eligible for in one lump sum advance, or you can take some now and more later. Another popular option is receiving planned advances, such as monthly, for example. It's your home equity that the reverse mortgage is freeing up for you, and you can access it the way you want.

What are the fees with a reverse mortgage?

Lotus Income charges NO FEES to the homeowner. The only "out of pocket" expense for the homeowner is the home-appraisal fee. The other fees are ALL paid for out of the mortgage funds. The 3 fees for a reverse mortgage in Canada are: (1) home appraisal fee (a one-time fee paid to the home appraiser, typically $250 to $450), (2) the fee for independent legal advice (a one-time fee paid to the homeowner's lawyer, typically $200 to $1000), and (3) the loan set-up and administration fee (a one-time fee paid directly to the reverse mortgage lender (the bank), which costs $1795. Nothing is paid by the homeowner to Lotus Income. Again, the only fee that the homeowner pays out of pocket is the appraisal fee.

Is a reverse mortgage a loan of last resort?

Absolutely not. Increasingly, reverse mortgages are recommended as an important component of a comprehensive, tax-efficient retirement plan. Financial planners and wealth managers are increasingly recommending reverse mortgages as a way to supplement Canadians' monthly incomes. Of the few alternatives to reverse mortgages, private mortgages and home equity loans are the real loans of last resort - their fees and interest rates are prohibitive to anybody on a fixed income, and they put the homeowner in danger of foreclosure and eviction. Reverse mortgages, on the other hand, have fair interest rates, only come from Canada's most highly-regulated banks, and will never require the homeowner to leave the home.

Is downsizing better than getting a reverse mortgage?

Downsizing is an option but most people underestimate the expenses, underestimate the time required to do it, and they underestimate how drastically it changes their lifestyles. Because home prices are currently so high in Canada, downsizing usually means at least 2 things: (1) moving into a smaller home, and (2) moving to different neighbourhood, city, or even province. Most Canadians don't want to leave the neighbourhoods they love. Often they downsize to free up money for retirement, but the extra cash is often gone sooner than they expect. Expenses often add up with renovations, unexpected costs, commissions paid to real estate brokers, legal fees paid to lawyers, and then there's the land transfer taxes. A reverse mortgage is a much more controllable, predictable way for homeowners to secure funds after they reach 55 years of age.

How are reverse mortgages and home equity line of credit (HELOC) different?

They are completely different products. A home equity line of credit (HELOC) is a short-term borrowing option for people who can pay the interest and loan in the near future. A HELOC requires the homeowner to make regular payments. Moreover, to get a HELOC in the first place, the homeowner has to qualify based on income, credit history, and so on. It's very important to remember as well, a HELOC is a demand loan (a "callable loan"), which means the lenders of the HELOC can require payment in full for any reason, at any time, at their discretion. This means HELOCs (and all mortgage types except for reverse mortgages) carry significant risks of non-renewal or cancellation by the lender. They carry the risk that requires the homeowner to re-qualify during the life of the loan, something that might not be possible if anything about the home, the borrowers, the real estate market, the economy, etc. has changed. None of these features apply to reverse mortgages. Unlike all other mortgage types, reverse mortgages are designed to protect homeowners aged 55 and older by offering them financial security and control. A reverse mortgage is a long-term financial solution. The cash from a reverse mortgage allows homeowners to prolong their retirement savings well beyond the possibilities offered by any other mortgage type.

What are the alternatives to a reverse mortgage in Canada?

The most common alternatives are (1) selling the home, (2) downsizing, (3) trying to take out a conventional mortgage or a line of credit, or (4) taking out a private mortgage, a home equity loan. Let's look at each. Firstly, in a 2018 survey, 90% of Canadian retirees did not want to move or downsize. Secondly, conventional mortgages and lines of credit both have ever-increasing income requirements, which means most Canadians aged 55 and older won't qualify. (It's hard enough now for fully-employed Canadians to qualify for a conventional mortgage.) Moreover, conventional mortgages and lines of credit require monthly payments. Lastly, private mortgages and home equity loans have high fees and high interest rates that are unsustainable for most people (even wealthy people) on fixed incomes. With the exception of reverse mortgages, all other home loan and mortgage products are put the homeowner in danger of foreclosure and eviction. Reverse mortgages will never require the homeowner to leave the home.

Is a reverse mortgage a "demand loan"?

No. Reverse mortgages are NOT demand loans, which are loans that give the lender the right to "call the loan" (demand payment) at any time, for any reason the lender sees fit. These reasons can be the death of a spouse (which could mean less household income), an anticipated fall or dip in house prices, etc. Reverse mortgages will not be "called" (demanding payment) at any time.

Recent Testimonials (2018)

“We needed to be able to manage our lives without the family supporting us. The reverse mortgage means having a life.” - **Gordon & Aubrey A**

“With a line of credit, I would have to make payments to the bank every month. I didn’t want to do that, I didn’t want this to affect my income.” - **Sandra H**

“The reverse mortgage frees you up to move forward in more positive ways, rather than being forced into a situation you’re not too happy with.” - **Brigitte V**

"My wife and I started working full-time at a very young age. We bought our first home together when we were both just 24. I still remember the day we picked it out – it was perfect! After we had our third child, we knew we would always be working to stay on top of our mortgage payments. That meant we would have a tough time travelling, something we’d always dreamed of doing together. Since retiring, we have had the freedom to travel to three continents. Thanks to our reverse mortgage, we're retiring exactly how we wanted." - **Greg A**

"I've lived in the same house for over 30 years. I know everybody in the neighbourhood; we'd all spent years together. It's like my neighbours are a second family. When I retired, I really thought I'd have to downsize and move to be able to afford a comfortable retirement. I reached out to my mortgage broker and she recommended a reverse mortgage. The reverse mortgage made it easy for me to stay in the home I love, close to my family and friends – even after retiring. I don't know where I'd be without a reverse mortgage." - **Joanne B**

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