

*A Complete Guide to*  
**REVERSE  
MORTGAGES**  
— IN ONTARIO —

Dispelling the Myths



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# Introduction: Why Reverse Mortgages Deserve a Second Look

Reverse mortgages are among the most misunderstood financial products available to Canadian homeowners.

For many people in Ontario, the term “reverse mortgage” immediately triggers concern — stories of excessive interest, losing one’s home, or products that should be avoided altogether. These perceptions are understandable, but they are often based on outdated information, experiences from outside Canada, or incomplete explanations.

The reality is that reverse mortgages in Ontario are heavily regulated and structured very differently than many people assume. When properly understood and used in the right circumstances, a reverse mortgage can be a practical financial tool. In other situations, it may not be appropriate at all.

The purpose of this guide is not to promote reverse mortgages or to persuade you that one is right for you. Instead, it is designed to provide clarity — to explain how reverse mortgages actually work in Ontario, who they are designed for, what the real costs are, and what the alternatives may be.

As a licensed mortgage broker in Ontario, I have worked with homeowners across a wide range of financial situations. Some benefited from reverse

mortgages. Others decided against them once they fully understood the details. In both cases, the best decisions were made when the facts were clear and the myths were removed.

This book is intended to help you reach that same level of understanding.

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# Chapter 1: What Is a Reverse Mortgage — Really?

A reverse mortgage allows homeowners aged 55 or older to access a portion of their home's equity without making regular monthly mortgage payments.

Unlike a traditional mortgage, where the borrower makes payments to reduce the loan balance over time, a reverse mortgage works in the opposite direction. The loan balance increases gradually as interest accrues, and repayment is typically deferred until the homeowner sells the property, permanently moves out, or passes away.

In Ontario, reverse mortgages are designed to allow homeowners to remain in their homes while using a portion of their accumulated equity to supplement retirement income, manage cash flow, or address specific financial needs.

Key characteristics of reverse mortgages in Ontario include:

- The homeowner retains full legal ownership of the property
- No mandatory monthly mortgage payments are required
- The loan is repaid from the sale of the home
- The loan is non-recourse, meaning the amount owed can never exceed the home's value at sale
- Independent legal advice is required before completion

A reverse mortgage is not free money, nor is it a last resort by default. It is a financial tool that must be evaluated carefully in the context of a homeowner's broader financial picture.

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## Chapter 2: Who Qualifies for a Reverse Mortgage in Ontario

To qualify for a reverse mortgage in Ontario, homeowners must meet several basic criteria.

First, at least one borrower must be 55 years of age or older. If there are two borrowers, the age of the younger borrower is used when determining the maximum amount available.

Second, the property must be a qualifying residential property located in Ontario. This typically includes single-family homes, certain townhomes, and some condominiums, depending on location and condition.

Third, the property must be maintained in good condition and meet the lender's standards. Homeowners are responsible for ongoing property taxes, insurance, and maintenance.

Unlike traditional mortgages, reverse mortgages place far less emphasis on income and credit scores. Qualification is primarily based on:

- Age of the borrower(s)
- Appraised value of the home
- Location and property type
- Current interest rate environment

Because income qualification is limited, reverse mortgages are sometimes accessible to homeowners who may not qualify for traditional financing in retirement.

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## Chapter 3: How Reverse Mortgages Actually Work

When a reverse mortgage is set up, the homeowner receives funds in one or more of the following ways:

- A lump sum
- Scheduled payments
- A line of credit
- A combination of these options

Interest begins accruing on the amount advanced, and that interest is added to the loan balance over time. Since no monthly payments are required, the balance gradually increases.

The homeowner continues to live in the property and remains responsible for:

- Property taxes
- Home insurance
- Routine maintenance and repairs

The loan becomes due when a triggering event occurs, such as:

- The sale of the home
- The homeowner permanently moving out
- The death of the homeowner

At that point, the home is typically sold, and the reverse mortgage is repaid from the sale proceeds. Any



remaining equity belongs to the homeowner or the estate.

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## Chapter 4: The Most Common Myths — And the Truth

### Myth 1: “The bank takes your house.”

This is one of the most persistent misconceptions.

In Ontario, the homeowner remains the legal owner of the property at all times. The lender does not take ownership of the home. The reverse mortgage is a registered loan against the property, similar to a traditional mortgage.

As long as the homeowner meets the basic obligations — maintaining the property, paying taxes, and keeping insurance in place — they retain full ownership.

### Myth 2: “My children will inherit the debt.”

Reverse mortgages in Canada are non-recourse loans. This means that neither the homeowner nor their estate can ever owe more than the fair market value of the home at the time it is sold.

If the sale proceeds exceed the loan balance, the remaining equity goes to the estate. If the sale proceeds are less than the loan balance, the lender absorbs the shortfall.

## Myth 3: “Interest compounds out of control.”

Interest does compound over time, and this is an important consideration. However, it must be evaluated alongside the benefits of not making monthly payments and having access to tax-free funds.

In many cases, the cost of interest must be compared to alternative options such as:

- Selling the home earlier than planned
- Borrowing through higher-risk lending
- Drawing down registered investments prematurely

The key is understanding how long the reverse mortgage is expected to be in place and how it fits into the overall plan.

## Myth 4: “Reverse mortgages are only for people in financial trouble.”

Many homeowners who use reverse mortgages are not in financial distress. Some use them strategically to improve cash flow, reduce investment withdrawals, assist family members, or delay downsizing.

A reverse mortgage is not inherently a sign of financial failure. It is simply one option among many.

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# Chapter 5: Costs, Interest, and Fees Explained

Reverse mortgages typically carry higher interest rates than traditional mortgages. This reflects the fact that:

- No monthly payments are required
- The loan term is uncertain
- The lender assumes more long-term risk

In addition to interest, there may be other costs, including:

- Appraisal fees
- Legal fees
- Independent legal advice costs
- Administrative fees

These costs are often added to the loan balance rather than paid out-of-pocket.

Understanding the full cost structure is essential before proceeding. This includes reviewing how interest compounds over time and how the loan balance may grow under different scenarios.

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## Chapter 6: Reverse Mortgages vs. Other Options

A reverse mortgage should never be evaluated in isolation. It should be compared against alternatives such as:

- Downsizing or selling the home
- Traditional refinancing or home equity lines of credit
- Borrowing from family
- Drawing down investments
- Adjusting lifestyle or spending

Each option has its own financial, emotional, and practical implications. In some cases, a reverse mortgage may preserve flexibility that other options do not. In others, an alternative may be more suitable.

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# Chapter 7: When a Reverse Mortgage Makes Sense

A reverse mortgage may be appropriate when:

- A homeowner wants to remain in their home long-term
- Cash flow is constrained in retirement
- Income qualification for traditional financing is difficult
- Access to tax-free funds is beneficial
- Other options are less desirable or impractical

The suitability of a reverse mortgage depends heavily on personal circumstances, time horizon, and long-term goals.

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## Chapter 8: When a Reverse Mortgage Does Not Make Sense

A reverse mortgage may not be appropriate when:

- The homeowner plans to sell or move in the near future
- The cost of interest outweighs the benefits
- There are strong alternative funding sources available
- The homeowner does not fully understand the implications
- Family or estate considerations have not been discussed

Saying no to a reverse mortgage can be just as responsible as choosing one.

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## **Chapter 9: What Happens When the Home Is Sold or the Owner Passes Away**

When the home is sold, the reverse mortgage is repaid from the sale proceeds. Any remaining equity goes to the homeowner or the estate.

If the homeowner passes away, the estate typically has time to decide whether to sell the property or repay the loan through other means. The process is structured to allow families time to make informed decisions.

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# Chapter 10: The Role of Independent Advice

Independent legal advice is mandatory for reverse mortgages in Ontario. This ensures that borrowers understand:

- The terms of the loan
- Their obligations
- The long-term implications

In many cases, involving adult children, financial planners, or accountants in the discussion can also be beneficial.

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# Chapter 11: Making an Informed Decision

Reverse mortgages are neither inherently good nor inherently bad. They are tools — and like any tool, they must be used appropriately.

The most important factor is understanding. When homeowners take the time to fully understand how reverse mortgages work, they are better equipped to decide whether one fits their needs.

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## Final Thoughts

Financial decisions in retirement are rarely simple. Reverse mortgages add another option to the conversation — not a replacement for careful planning, but a potential supplement.

By dispelling myths and focusing on facts, homeowners and families can make decisions based on clarity rather than fear.

The right decision is always the informed one.

**Reverse mortgages** can be an invaluable financial tool for Ontario's homeowners looking to access the equity in their homes. However, they are often surrounded by myths and misunderstandings. This guide is designed to provide a comprehensive and honest examination of how reverse mortgages work, dismantle common misconceptions, and help you make informed decisions.

Whether you or a loved one are considering a reverse mortgage or simply want to understand the options available, this guide is crafted to give you clear, reliable information that empowers you to make the best financial choice for your future.



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