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Four Reverse Mortgage Disadvantages

1. No Interest write-off on your taxes:

a. You know that form you get each year that says you paid mortgage interest? Well it doesn't come on most reverse mortgages. This is because you have not paid interest, you have just accrued interest. If you do pay the mortgage interest, you will get the write off, but that usually only happens upon the home being sold.

b. How important is a write off to you? Is it better to have a write off with house payments or no write-off and no house payment?

2. Accrued interest/growing balance:

a. You will accrue interest on a reverse mortgage. This means that your balance will grow as the months progress. Since you are not making payments, the interest that is being charged to you has to go somewhere. The lender puts it on the balance you owe them, so it gets bigger.

b. No payments today in trade for a bigger payoff tomorrow. Most reverse mortgages are paid off when the borrower passes away, so they have permanently deferred the monthly payments.

3. The reverse mortgage fees are expensive:

a. Reverse mortgages are traditionally expensive compared to a regular loan. The thing to consider is that on a regular loan you have to make payments and on a reverse loan, you don't. I guess "they" feel the extra expense is justification for more fees.

b. Actually though, in the light of new programs, you should be able to get a reverse mortgage for about half of the prior cost. If expense was the reason you avoided a reverse mortgage, check again. It might surprise you how inexpensive they are now.

4. You leave less money to your kids:

a. By spending your equity, you reduce the inheritance of your heirs. This is important to many who would like to leave a sum of money to their children or grandchildren, but there may be other ways to leave them money.

b. Are you really depriving anyone by spending your equity? If you have a mortgage, and you remove the monthly expense, this will leave you more cash to save or spend to maintain your independence. Your heirs may not have to chip in to help you survive. That alone saves them money and enhances their future retirement. If you have no mortgage, getting monthly income or a lump sum of money will help take care of your home and medical expenses.

These are examples of the so called [disadvantages of a reverse mortgage](#). You can see that there are two sides to these arguments. So weigh the need against the objection and see if it makes sense to you. If you are looking for someone to bounce some ideas off of, feel free to give me a call or send me an email. You can get all of our contact information at www.redwoodreversemortgage.com along with more [reverse mortgage information](#).