Reverse Mortgages in Canada

What Homeowners 55+ Should Know

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A short guide from Dan Mizrahi, Your Rate Guy
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A reverse mortgage is one way some Canadian homeowners aged 55 and older can access part of the value of their home without selling it, and without making regular mortgage payments in the usual way.

It is a real loan against your home. Interest is added over time, and the balance typically grows, which means the remaining equity typically shrinks. For some households, that can be a useful way to stay at home and ease pressure on retirement cash flow. For others, a different option — including selling, a conventional refinance, or leaving the equity where it is — will be a better fit.

This guide explains how reverse mortgages generally work in Canada, who may be eligible, the main advantages and drawbacks, how they can affect your estate, and a few common myths. It is general education, not a recommendation to take one out.

1 How a reverse mortgage works

You borrow against the equity in your principal residence. You typically continue to own the home and live in it.

You do not usually make regular principal-and-interest payments. Interest is added to the loan, so the balance generally rises over time.

The loan is typically repaid when you sell the home, move out permanently, or when the last borrower passes away. Your estate, or your heirs, would then settle the balance, usually from the sale of the home.

You generally remain responsible for property taxes, home insurance, and upkeep. Those obligations matter. Falling behind on them can put the arrangement at risk, just as they would with any home you own.

2 Eligibility, in general terms

In Canada, reverse mortgages are generally available to homeowners who are 55 or older. If more than one person owns the home, each owner typically needs to meet the age requirement.

The home is usually your principal residence, and there needs to be enough equity after any existing mortgage or other debt against the title is paid or addressed.

The amount you may be able to borrow depends on your age, the value and location of the home, and the lender's rules. Older borrowers can often access a larger share of the equity than younger ones, because the product is designed around a remaining lifetime in the home. I will not quote a percentage or a dollar amount here. Those figures belong in a personal illustration from a lender, based on your property and your age.

A reverse mortgage is not automatically approved. The lender will look at the property and the file. Independent legal advice is typically required before you sign.

3 Advantages and drawbacks

Advantages that matter for some people:

- Access to funds without selling the home or moving, while you typically remain the owner
- No regular mortgage payments in the usual sense, while you still pay taxes, insurance, and upkeep
- The option, depending on the product, to take funds as a lump sum, a set of advances, or a combination
- For some, relief on monthly cash flow in retirement

Drawbacks to weigh just as carefully:

- The balance grows as interest compounds, so remaining equity usually declines
- Interest rates are often higher than on a conventional mortgage, and setup or early-repayment costs can apply
- It can reduce what is left for your estate, and may limit your ability to borrow against the home later
- In some situations it can affect government benefits. Confirm this with a qualified advisor, because the rules depend on the benefit and your circumstances

4 Your estate, your family, and legal advice

When the home is sold or the last borrower dies, the loan plus accrued interest and any fees must be repaid. What remains after that, if anything, goes to the estate. If the home's value has grown, there may still be equity left. If it has not, or if the loan has been in place for a long time, there may be little or nothing left.

Many reverse mortgage products in Canada include a form of "no negative equity" protection, which, if the lender's conditions are met, means the amount owing should not exceed the fair market value of the home when it is sold. You should confirm this in the actual contract, and not assume it.

This is a decision that often affects a partner, adult children, or other heirs. Consider talking with them early, even if the decision is yours. Independent legal advice is typically required before you sign. That lawyer or notary works for you, not the lender. Use that meeting to ask every question you have. You may also want to speak with a financial planner or tax advisor, especially if benefits, tax, or an estate plan are involved.

5 Common myths, plainly answered

- **"The lender takes my home."** You typically remain the owner. The lender has a charge on the title, as with other mortgages.
- **"I will be forced to move."** You can usually stay as long as the home remains your principal residence and you keep up your obligations, including taxes, insurance, and upkeep.
- **"It is only for people in financial trouble."** Some homeowners use it to relieve pressure. Others use it as a planned way to access equity and stay at home. It is a product, not a judgement about your situation.
- **"There will be nothing left for my family."** That depends on the size of the loan, how long it runs, interest, fees, and the future value of the home. There may be equity left, or there may not. This is one of the most important conversations to have, including with your family.
- **"I can never pay it off or change my mind."** You can usually repay it, though early repayment charges may apply, especially in the earlier years. Read those terms carefully before you sign.

Book a free strategy call with Dan

There is no cost and no obligation to talk it through.

Book a discovery call · Or call (647) 241-6652

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This guide is for general education only. It is not mortgage, tax, legal, or financial advice, and it is not an offer to lend. It does not promise a particular rate, approval, payment, amount you can borrow, or amount of equity remaining for your estate.

Dan Mizrahi is a mortgage broker with Choice Financial Corp, licensed to arrange mortgages in Ontario, Alberta, British Columbia and Quebec. A conversation does not guarantee that a lender will approve a reverse mortgage or a particular amount.

A reverse mortgage is a loan against your home. The balance typically grows over time as interest is added, and that can reduce what is left for your estate. Please involve your family if you wish, and obtain independent legal advice before you sign.

Please review any mortgage offer carefully and ask questions before you sign. You can reach Dan at (647) 241-6652 or dan@yourrateguy.ca.