

SHAWN SELANDERS

# The Reverse Mortgage Guide for Canadian Homeowners 55+

*Myths vs facts. How it really works.*

*How much you could access — and what it means for your family.*

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## What Is a Reverse Mortgage?

A reverse mortgage allows Canadian homeowners aged 55 and older to access a portion of their home's equity as tax-free cash — without selling their home, without making monthly payments, and while retaining full ownership and title. The loan is repaid when the homeowner sells, moves out permanently, or passes away.

It's called "reverse" because instead of you making payments to the lender (like a traditional mortgage), the lender pays you. Interest accumulates on the loan and is paid when the home is eventually sold.

## How Much Can You Access?

The amount available depends primarily on your age and your home's appraised value. Younger borrowers can access less; older borrowers can access more. Approximate ranges:

- Age 55–59: Up to approximately 15–20% of home value
- Age 60–64: Up to approximately 25–30%
- Age 65–69: Up to approximately 30–38%
- Age 70–74: Up to approximately 38–45%
- Age 75–79: Up to approximately 45–50%
- Age 80+: Up to approximately 50–55%

The maximum across all providers is approximately 55% of the home's value. If you have an existing mortgage, the reverse mortgage pays it off first — you receive the remainder.

## Who Provides Reverse Mortgages in Canada?

- HomeEquity Bank — the CHIP Reverse Mortgage, available since 1986. Canada's largest reverse mortgage provider. Available in all provinces.
- Equitable Bank — PATH Home Plan, launched 2018. Often offers lower rates. Available in Ontario, BC, Quebec, and parts of Alberta.
- Home Trust — EquityAccess, announced October 2025. Currently available in Ontario and BC through brokers.

A mortgage broker can compare offerings from multiple providers and find the best rate and terms for your situation.

## How You Can Receive the Money

- Lump sum — receive the full amount upfront. Best for paying off debt, major renovations, or one-time needs.
- Monthly advances — receive a regular monthly payment, like a paycheque from your home. Best for supplementing retirement income (CPP/OAS).
- Combination — take an initial lump sum plus set up ongoing monthly advances.

You only pay interest on money you've actually received. If you set up monthly advances, interest starts on each advance as it's paid to you.

## The Living Inheritance

One of the most compelling uses of a reverse mortgage is the "living inheritance" — giving your children or grandchildren financial help while you're alive to see them enjoy it. Instead of leaving everything to be divided after you pass away, you can use reverse mortgage funds to help a child with their down payment, fund a grandchild's education, or simply share your wealth while you can be part of the joy.

## Myths vs Facts

### **"The bank will own my home."**

**MYTH.** You always retain full ownership and title. A reverse mortgage is a loan secured against your property — the lender has a lien, not ownership. You make all decisions about your home.

### **"I could owe more than my home is worth."**

**MYTH.** All Canadian reverse mortgage providers include a "no negative equity guarantee." If the loan balance ever exceeds the home's value when sold, the lender absorbs the loss — not you or your estate.

### **"My children will inherit nothing."**

**MYTH.** On average, reverse mortgage clients retain over 50% of their home's equity after repaying the loan. Your home continues to appreciate even as the loan balance grows. Most families inherit a substantial amount.

### **"It's a scam targeting seniors."**

**MYTH.** Reverse mortgages are regulated financial products offered by federally regulated banks. HomeEquity Bank has operated since 1986. Independent legal advice is required before signing — this is built into the process to protect you.

### **"The rates are too high."**

**PARTIALLY TRUE.** Rates are higher than traditional mortgages — currently around 7-8%. But there are no monthly payments. Compare this to the alternative: selling your home, paying realtor commissions (7% on first \$100K + 3% on balance in Alberta), land transfer taxes in other provinces, moving costs, and then paying rent or buying something smaller. Many homeowners find staying put with a reverse mortgage is more cost-effective.

### **"I have to pay taxes on the money."**

**MYTH.** Reverse mortgage funds are tax-free. They do not affect your CPP, OAS, or GIS benefits. The money is a loan, not income — it's not reported on your tax return.

### **"I can be forced out at any time."**

**MYTH.** As long as you live in the home as your primary residence, maintain the property, and keep property taxes and insurance current, you cannot be forced to leave.

**"I need good credit and income to qualify."**

MOSTLY FALSE. Reverse mortgages have minimal credit and income requirements. Qualification is based primarily on age, home value, and property location — not income or credit score. This makes them accessible to homeowners who might not qualify for traditional financing.

## The Costs

- Appraisal fee: \$300–\$500
- Legal fees: \$700–\$1,500 (independent legal advice is required)
- Administrative fee: approximately \$1,795 (CHIP)
- Interest rate: currently approximately 7–8% (fixed or variable options available)

Setup costs can often be deducted from the advance, meaning you may not need to pay anything out of pocket upfront.

## What Happens When You Pass Away?

Your estate has up to 180 days to repay the loan — typically by selling the home. Any equity remaining after the loan is repaid belongs to your heirs. With the no-negative-equity guarantee, your estate will never owe more than the fair market value at the time of sale.

## Is a Reverse Mortgage Right for You?

A reverse mortgage is typically a good fit if you want to stay in your home, need to supplement retirement income, want to pay off existing debts to reduce monthly expenses, need funds for home modifications or healthcare, or want to provide a living inheritance to your family.

It may NOT be the best option if you plan to sell your home soon, if you have other lower-cost sources of funds available, or if maximizing the inheritance for your heirs is your absolute top priority. A mortgage broker can help you weigh the options honestly.

**⚠️ This guide is for education only. Every situation is different. Talk to your mortgage broker and get independent legal advice before making any decisions about a reverse mortgage.**

## Important Disclaimers

This guide provides general information only and is not a commitment to lend, rate guarantee, or pre-approval. All figures are approximate and must be verified with your mortgage broker and realtor before making any decisions. Lender guidelines, insurer policies, and government programs change frequently. Support payments (child support, spousal support, alimony) affect qualification. 50% of condo fees and 100% of HOA fees are included in debt servicing. Canadian semi-annual compounding applies to all mortgage calculations. Information compiled as of March 2026. OAC. E.&O.E.

## Ready to take the next step?

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