



Lisa Baubie

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[AskLisa.ca](https://www.AskLisa.ca)

How a Reverse Mortgage Works

(A simple way to turn your home's value into cash — while keeping ownership)

Section 1: What It Is

A reverse mortgage lets you access the money you've already built up in your home — without selling it or making monthly payments. You stay the owner. You stay in your home. You just free up some of your equity.

Section 2: How It Works (Step by Step)

- 1□ You keep ownership – The home stays 100% in your name.
- 2□ You access your equity – Borrow up to ~55% of your home's value (age and location matter).
- 3□ You don't make payments – Interest is added to your balance; no monthly bills.
- 4□ You repay later – When you sell, move into care, or pass away, the loan is repaid from the home's sale.
- 5□ The rest goes to your heirs.



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Section 3: Key Benefits

- ✓ Stay in your home
- ✓ No income or credit check needed
- ✓ No monthly payments
- ✓ Tax-free cash
- ✓ Guaranteed you'll never owe more than your home is worth

Section 4: What Happens Later

If you move or pass away:

• The home is sold (usually within 6 months)

• The reverse mortgage balance is paid off

• The remaining equity goes to your family

“It’s your home, your equity, and your choice. This just helps your home start paying you back.”



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How Reverse Mortgage Interest Works

Think of it like a faucet:

You're approved for a certain amount — say \$100,000 — but the “water” only flows when you turn the tap on.

Interest is only charged on the money you actually use.

Example: You're approved for \$100K, but you only draw \$1,000/month. After 10 months, you've used \$10,000 total.

→ Interest is only charged on that \$10,000 — not the full \$100K.

5 Interest compounds monthly.

The unpaid interest gets added to the loan balance each month.

You don't make payments — it's all settled when the home is sold or the owner passes away.

ò No interest on unused funds.

If you never use the full amount, the unused portion doesn't cost a dime.



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👉 Two Ways to Access the Funds

| Option | How It Works | Interest Charged On | Best For |
|---------------------------|------------------------------------|------------------------|---|
| ⌘ Lump Sum | Get all the funds upfront | Full amount right away | Paying off debts, major renovations |
| ✓ Planned Advances | Receive funds monthly or as needed | Only what's drawn | Boosting monthly income, smaller expenses |

Quick Summary

“You only pay interest on what you actually use — not what you’re approved for.

It’s like having a financial safety net that only costs money when you use it.”



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