naf Reverse

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What happens to a reverse mortgage when a parent dies?

QUICK ANSWER

Here's the short version. When the last borrower on a reverse mortgage dies or moves out for good, the loan comes due. The lender doesn't automatically take the house: the estate or heirs choose to pay the loan off, sell the home, or sign it over, and the loan is repaid from the home, not from the family's bank accounts.

Key points

- **The family chooses.** After the last borrower dies, the estate or heirs can pay the loan off, sell the home, or sign it over.
- **Call the servicer first.** Report the death, ask for the payoff and appraisal in writing, and keep property taxes and insurance paid.
- **Deadlines come from the letter.** You have 30 days from its date to tell the servicer your plan, and extra time needs HUD's approval and isn't promised.
- **A spouse may be able to stay.** Only a spouse named in the loan papers as an eligible non-borrowing spouse can stay, and they must keep paying taxes, insurance and upkeep.
- **Get help early.** A HUD-approved counselor can walk heirs through the options, and an estate attorney can help with title and probate.

I'm a loan officer, not your parent's servicer, so I'll be plain about where I can help and where I can't. A spouse who is not on the loan may be able to stay (see below). Your servicer confirms the exact options and deadlines for your parent's loan, and this page is general information, not legal or tax advice.

Step one: call the servicer

The servicer is the company on the monthly statement. It is often not the company that made the loan. HUD's rules let a servicer accept a phone call from the heirs as notice of a death, so you don't have to wait for a letter. When you call:

- Write down the date, the person's name and what they said.
- Ask for the payoff amount and the appraisal, in writing. The servicer orders the appraisal within 30 days of the heirs' request. If the loan is due, the servicer pays for it up front and is paid back from the sale.
- Keep the property taxes and homeowners insurance paid. They stay the estate's responsibility until the title transfers.

The heirs' timeline

Here is the usual order of events. HUD can approve more time, and older loans can run on a different clock.

Step	What happens	Who	When
1	The loan comes due when the last borrower dies and no other borrower still lives there	The loan terms	At the death
2	You call the servicer, report the death, and ask for the payoff and appraisal	You	As soon as you can
3	The servicer tells HUD about the death	Servicer	Within 60 days
4	The servicer mails the due-and-payable letter listing your options	Servicer	Within 30 days after step 3, so up to about 90 days after the death
5	You tell the servicer your plan: pay off, sell, or sign over	The heirs	Within 30 days of the date on the letter
6	With no plan, the servicer must start foreclosure unless HUD approves more time	Servicer	Within 6 months of the due date (counted from step 3 for FHA case numbers from Sept. 19, 2017 on)
7	More time: up to two 90-day extensions if you show you are actively selling, have a delayed sales contract, or are working on a payoff such as a new loan	Servicer asks HUD	Needs proof and HUD's approval

The 30 days in step 5 are for telling the servicer your plan. They are not 30 days to close a sale. Here's how I'd think of it: the six months is roughly the time you have to sell or pay off. An extension is never promised, so please don't count on one.

Your three choices

The servicer's letter lists these. You choose, then tell the servicer in writing. The balance has grown over the years with interest, mortgage insurance and fees, so ask for today's figure.

- **Pay it off and keep the home.** Ask the servicer in writing for the exact payoff figure. HUD's own materials describe the payoff for heirs in different ways, so don't rely on a number from a website, including this one. Many families use a new mortgage in the name of the person keeping the home. Others use cash or other funds. A new loan needs an application, an appraisal and approval inside the same window, so talk to a lender early. More in keep, sell or walk away.
- **Sell the home.** If the loan balance is higher than the home's value, heirs may sell for at least 95% of the current appraised value, and that satisfies the loan, with FHA mortgage insurance covering the rest. That insurance protects the lender, not the family. New American Funding is not acting for HUD, FHA or any government agency.
- **Sign it over (a deed in lieu of foreclosure).** The servicer must accept it if the title is clear and it is recorded in time (within 9 months of the due date for FHA case numbers from Sept. 19, 2017 on). The servicer may also offer moving help, called "cash for keys." That is the servicer's choice, so ask. Signing over ends the loan, and it means giving up the home.

If a spouse still lives there

A spouse who is not a borrower can stay after the borrower dies only if they are an **eligible non-borrowing spouse**.

That means they were married to the borrower at closing and still are, they are named in the loan papers as an eligible non-borrowing spouse, and the home is their main home.

While they stay, no more loan money is paid out, and they must keep paying taxes and insurance and keep up the home. A spouse who was not named at closing cannot qualify later. Look for those words in the loan papers, and call the servicer right away either way.

Do and don't

My advice, in short:

Do

- **Do** call the servicer as soon as you can, write down the date and name, and ask for the payoff and appraisal in writing.
- **Do** keep property taxes and homeowners insurance paid until the title transfers.
- **Do** tell the servicer your plan in writing within 30 days of the date on its letter.
- **Do** talk to a lender early if you want to keep the home, and to an estate attorney about title and probate.

Don’t

- **Don't** wait for a letter before calling, because HUD's rules let a servicer accept a phone call as notice of a death.
- **Don't** count on an extension, because more time needs proof and HUD's approval.
- **Don't** do nothing, because the servicer can start foreclosure after its deadline.
- **Don't** assume a spouse can stay if they weren't named in the loan papers at closing.

A made-up example to show how it works. Your situation will be different.

Example: Marcus and his mother's home

Marcus, 49, lives in Walnut. His mother, the only borrower on a reverse mortgage, has passed away. The next day he calls the servicer, writes down the date and who he spoke with, and asks for the payoff and appraisal in writing.

He keeps the property taxes and insurance paid. When the servicer's letter arrives, he and his sister would like to keep the home. They talk to a lender early.

The lender explains that a new loan needs an application, an appraisal and approval inside the same window, and that no one can promise it in time.

Since more time isn't promised, they tell the servicer their plan within 30 days of the letter's date and also ask a HUD-approved counselor about selling. An estate attorney is next, for title and probate.

Questions families ask

Does the bank own the house now?

No. A reverse mortgage is a loan with the home as security, like any mortgage. When the last borrower dies the loan comes due, and the family chooses to pay it, sell the home, or sign it over.

Can we just walk away?

If nobody wants the home, the servicer must accept a deed in lieu when the title is clear, and the loan is repaid from the home, not from the family's bank accounts. Doing nothing is different.

The servicer can start foreclosure after its deadline, and taxes and insurance stay the estate's job until the title transfers. Call early and pick a plan.

How long do we really have?

There are three clocks: 30 days from the date on the letter to tell the servicer your plan, the servicer generally must start foreclosure within about six months of the due date, and up to two 90-day extensions with proof and HUD's approval.

Don't count on a year. Someone must also have the legal right to sell or sign, such as an executor, trustee or heir who holds title. Not every California estate needs probate, so talk to an estate attorney early. I can't tell you how long probate takes. More in titles, trusts and probate.

Can I take over my mom's reverse mortgage?

No. HUD's guide for heirs lists paying it off, selling, or signing the home over. It doesn't offer a way to take over the loan. Many families pay it off with their own new loan. A surviving spouse has separate rules, described above.

Will our property taxes go up if I move into my parent's home?

If the home was your parent's main home and you make it your own main home within one year, California's Prop 19 may let you keep your parent's property tax base, up to a limit (the factored base value plus $1,044,586, for transfers Feb. 16, 2025 through Feb. 15, 2027).

You file with the county assessor: the homeowners' exemption within 1 year, and form BOE-19-P within 3 years. This covers property tax only, not the loan, and it is not tax advice.

Sources (read October 28 to November 2, 2026)

- HUD Handbook 4000.1, HECM servicing (Part III.B), last revised Aug. 12, 2026: https://www.hud.gov/hud-partners/single-family-handbook-4000-1
- 24 CFR Part 206 (sections 206.27, 206.55, 206.125), eCFR: https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206
- CFPB, "With a reverse mortgage loan, can my heirs keep or sell my home after I die?" (reviewed Aug. 28, 2026): https://www.consumerfinance.gov/ask-cfpb/with-a-reverse-mortgage-loan-can-my-heirs-keep-or-sell-my-home-after-i-die-en-242/
- CFPB, "What happens to my reverse mortgage when I die?" (reviewed Jan. 2, 2025): https://www.consumerfinance.gov/ask-cfpb/what-happens-to-my-reverse-mortgage-when-i-die-en-2096/
- HUD, "Inheriting a Home Secured by an FHA-insured HECM" (Sept. 2019), for taxes and insurance staying with the estate, and for the 95% sale rule: https://www.hud.gov/sites/dfiles/SFH/documents/inheriting_hecm_09-23-19.pdf
- California Board of Equalization, Prop 19: https://www.boe.ca.gov/prop19/ and the transfer amount notice: https://boe.ca.gov/news/2025/NR-25-02.htm
- California Courts Self-Help, probate and simple transfers: https://selfhelp.courts.ca.gov/probate/simple-transfer
- HUD housing counselor search: https://answers.hud.gov/housingcounseling/s/?language=en_US



Talk with me first

I'll answer your questions and tell you plainly if a reverse mortgage isn't the right fit. No pressure.

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Personal estimate and more free guides: thereverseguide.com. Before you can apply, you'll meet with an independent HUD-approved counselor; it's required.

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