naf Reverse

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Before a reverse mortgage: HELOC, home equity loan, selling or downsizing

QUICK ANSWER

The main alternatives to a reverse mortgage are a HELOC, a home equity loan, a cash-out refinance, selling or downsizing, and, for property taxes, California's Property Tax Postponement program. The biggest difference is the monthly payment: a HELOC, home equity loan or cash-out refinance needs one, while a reverse mortgage has no required monthly mortgage payment (property taxes, insurance, HOA dues and upkeep are still yours) but a balance that grows. If you can afford a payment or may move within a few years, an alternative often fits better.

Key points

- **Every option uses your home's value, and none is free.** Each has costs, and every loan here is secured by your home.
- **HELOCs, home equity loans and cash-out refinances need a monthly payment.** Miss payments and you could lose your home.
- **A reverse mortgage has no required monthly mortgage payment.** You still pay property taxes, homeowners insurance, HOA dues and upkeep, and the balance grows over time with interest, mortgage insurance and fees.
- **A HELOC can be frozen or cut.** Federal rules let a lender stop new draws or lower the limit if your home's value drops a lot or your finances change.
- **Selling or downsizing ends the debt question.** It can also mean leaving a home and neighbors you love, so it's a family decision, not just a math one.
- **If you might sell soon, lower upfront costs matter.** The CFPB suggests a lower-cost option such as a HELOC over a reverse mortgage in that case.

I offer reverse mortgages, so I've tried hard to be fair here. Sometimes one of these other options is the better choice, and I'll say so.

The options side by side

Option	Monthly payment required?	Can it be frozen or cut?	Effect on heirs	Qualifying
Reverse mortgage (HECM)	No required monthly mortgage payment. Property taxes, insurance, HOA dues and upkeep stay yours.	Draws stop if the loan comes due. On adjustable-rate loans, HUD limits how much you can take in the first 12 months.	The balance grows. To keep the home, heirs pay it off; or they sell. No one owes more than the home is worth (if the balance is more than the home's value, heirs can sell for at least 95% of the appraised value). FHA insurance covers any shortfall, but it protects the lender, not you. New American Funding is not acting for HUD, FHA or any government agency.	62 or older, home is your main home, enough equity, independent counseling plus California's 7-day wait, and a Financial Assessment of credit and income
HELOC (home equity line of credit)	Yes, once you borrow. Often interest-only at first, then much higher payments when the repayment period starts. Rates are usually variable.	Yes. The lender can stop new draws or lower your limit if your home's value drops significantly or your finances change materially.	What you still owe must be repaid, often from the home. Heirs may be able to keep the home and pay it off over time if the lender allows.	Income, credit and equity. Lenders typically want you to keep 10% to 20% of the home's value as equity.

Option	Monthly payment required?	Can it be frozen or cut?	Effect on heirs	Qualifying
Home equity loan	Yes, usually a fixed payment, over a shorter term than a regular mortgage, so payments can be larger.	Nothing to freeze: you get the money all at once.	The balance goes down as you pay. Whatever's left is repaid from the estate or the home.	Income, credit and equity
Cash-out refinance	Yes. A new, larger mortgage replaces the one you have, often over 30 years.	Nothing to freeze: you get the money all at once.	Same as a home equity loan.	Income, credit, equity, and a new interest rate and terms
Selling or downsizing	No loan payment if you buy your next home with cash or rent. Rent, or taxes and insurance on the new home, still apply.	Not a loan.	Heirs inherit whatever you keep, such as cash or the smaller home.	None, though selling has costs, and a new home must fit your budget
Property Tax Postponement (California)	No. The state postpones your property taxes and you repay later, with 5% simple interest a year (set by state law) and a lien on your home.	You file each year and must qualify each time, including the equity rule.	The postponed taxes plus interest come due at death, unless a surviving spouse inherits the home and stays.	62 or older (or blind or disabled), at least 40% equity, and household income under the state limit

HELOC vs reverse mortgage

Here's how I explain it. A **HELOC** is a line of credit against your home. During the "draw period," which often lasts about 10 years, you can borrow as you need. Many HELOCs require only interest payments at first.

Then comes the repayment period, when you pay back what you owe, and the CFPB notes payments are often much higher then. Most HELOCs have variable rates, so payments can change.

A **HECM line of credit** also lets you draw when you need. The difference is that there's no required monthly mortgage payment (you still pay property taxes, insurance, HOA dues and upkeep), and under HUD's rules the unused part of the line grows over time.

The cost: higher upfront costs, a balance that keeps growing, and the loan coming due when you move out or the last borrower dies.

A HELOC may fit better if you can comfortably make the payments, you need a smaller amount, or you may sell in a few years. **A reverse mortgage may fit better if** a monthly payment would strain your budget, you plan to stay many years, and you can keep paying taxes, insurance and upkeep.

Home equity loan or cash-out refinance

Both give you a lump sum and a monthly payment, and the balance goes down as you pay. A **home equity loan** is a separate second loan, so if you still have a mortgage you'll have two payments.

A **cash-out refinance** replaces your mortgage with a bigger one, which can stretch out your payoff and raise your payment. The CFPB says a home equity loan usually has a fixed rate, so the payment doesn't change.

These may fit better if you have steady income for the payment and want your balance to shrink, not grow, so more of the home goes to your heirs.

Selling or downsizing

Selling turns your equity into cash with no loan at all. Downsizing to a smaller or single-story home can also lower your insurance and upkeep. Two California points to know:

- **Prop 19.** Homeowners 55 or older can move their property tax base value to a replacement home anywhere in California, up to three times, if they buy within 2 years of selling. If the new home costs more, the difference is added to your tax base. Ask your county assessor before you buy.
- **HECM for Purchase.** If you want to downsize without a monthly mortgage payment, a HECM can help buy the new home. You pay part of the price yourself, and the taxes, insurance, HOA dues and upkeep on the new home are yours. The types of reverse mortgages

Selling may fit better if the home is more than you need, the upkeep is getting hard, or you'd like to live closer to family.

California's Property Tax Postponement

If property taxes are the only bill you're worried about, look at this state program first. The State Controller postpones your property taxes, records a lien, and adds 5% simple interest a year (set by state law). For 2026-27, the filing window is Oct. 1, 2026 to Feb. 10, 2027.

It doesn't mix well with a reverse mortgage: under state law, choosing a reverse mortgage makes all postponed taxes due. Property Tax Postponement or a reverse mortgage?

Other options worth a call

- **A reverse second mortgage.** If you want to keep your first mortgage, HomeSafe Second (a private loan, not a HECM) sits behind it. Private loans set their own rules. How HomeSafe Second works
- **Single-purpose programs.** The FTC calls single-purpose reverse mortgages, offered by some government agencies and nonprofits, the least expensive kind, but they cover only one use, such as repairs. Some cities offer repair loans too. Call LA County Aging & Disabilities at 1-800-510-2020 or the Eldercare Locator at 1-800-677-1116.

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

Example: Mei weighs her options

Mei, 69, lives in West Covina. She owes nothing on her home, has a steady pension, and wants money for a new kitchen and a cushion for later. She meets an independent HUD-approved counselor and compares three paths.

A HELOC would need a monthly payment, which her pension can cover, and its upfront costs are lower. A home equity loan would have a fixed payment.

A reverse mortgage would have no required monthly mortgage payment, but higher upfront costs and a balance that would grow, and she'd still pay her property taxes, insurance and upkeep either way.

Because she can afford a payment and wants to leave the home to her son with as little owed as possible, Mei leans toward the HELOC. She asks each lender for the costs in writing before she decides.

Do and don't

My advice, in short:

Do

- **Do** compare at least two options side by side, with every cost in writing.
- **Do** be honest with yourself about whether you can make a monthly payment for years, not just this year.
- **Do** think about how long you'll stay. If you may move soon, lower upfront costs matter more.
- **Do** call the State Controller if property taxes are the main worry.

Don’t

- **Don't** take a HELOC you can only afford during the interest-only years.
- **Don't** choose by the amount of cash alone. Think about the balance, the payments, and what's left for your family.
- **Don't** use any of these loans to buy an annuity or investment, and don't let anyone tie the loan to one.

Questions families ask

Is a reverse mortgage the same as a HELOC?

No. Both use your home's value, but a HELOC needs monthly payments once you borrow, and the lender can freeze or cut it in some cases. A HECM reverse mortgage has no required monthly mortgage payment (taxes, insurance, HOA dues and upkeep stay yours), it's for homeowners 62 and older, and its balance grows until the loan is repaid.

Is a reverse mortgage better than a home equity loan?

Neither is better for everyone. A home equity loan needs a monthly payment, but the balance goes down and more is likely left for your heirs.

A reverse mortgage has no required monthly mortgage payment (you still pay property taxes, insurance, HOA dues and upkeep), but the balance grows, and the upfront costs are usually higher. It comes down to your budget, how long you'll stay, and what you want to leave your family.

Is it better to sell the house and downsize, or get a reverse mortgage?

If the home is more than you need or the upkeep is getting hard, selling may be the better fit, and Prop 19 may let you keep your property tax base if you're 55 or older.

If you love the home, plan to stay for years, and can keep up the bills, a reverse mortgage lets you stay while you use some of your equity.

What is the cheapest way to borrow against your house?

It depends on the rates and costs you're offered, so get them in writing. The CFPB says reverse mortgage closing costs are typically higher than for other loans and suggests a lower-upfront-cost option such as a HELOC if you might sell within a couple of years. The FTC says single-purpose reverse mortgages are the least expensive kind, where they're offered.

Can you get a HELOC if you have a reverse mortgage?

HUD's HECM rules allow other liens on the home only if they come second to the HECM. Ask your servicer before you apply for any other loan.

What is a better option than a reverse mortgage for my retired mom?

Here's what I'd ask first: what does she need the money for? If it's property taxes, look at Property Tax Postponement. If it's one repair, look at local repair programs. If she can make a payment, compare a HELOC or home equity loan.

If she wants to move, compare selling. A HUD-approved counselor can go through all of these with her, and family members are welcome at the session. Protecting a parent

From Tom: "If a family can afford to make the payment and they're not in a retirement situation yet, then there's no need for them to go into a reverse." A reverse mortgage's balance grows over time, and a regular loan may have a similar or lower rate.

It tends to fit better when you're retired or living on a limited income.

Sources (read November 3, 2026)

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- CFPB, interpretive rule to help heirs take over a loved one's mortgage (July 8, 2014): https://www.consumerfinance.gov/archive/newsroom/cfpb-clarifies-mortgage-lending-rules-to-assist-surviving-family-members/
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- California State Controller, Property Tax Postponement: https://www.sco.ca.gov/ardtax_prop_tax_postponement.html
- California Board of Equalization, Prop 19: https://www.boe.ca.gov/prop19/
- LA County Aging & Disabilities, contact: https://ad.lacounty.gov/contact-us
- 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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