naf Reverse

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Reverse mortgage credit and income requirements: what lenders check, and how

QUICK ANSWER

A HECM has no minimum credit score and no set minimum income. HUD's handbook says plainly that credit scores "are not a criterion" for a HECM. Instead, the lender looks at your payment history, whether your property taxes and insurance have been paid, and whether your income covers your expenses with enough left over each month. I'll show you how each piece is checked, so nothing surprises you and you can gather the right papers before you apply.

This page goes item by item through HUD's rules. For the big picture, read the Financial Assessment and who qualifies first.

Key points

- **No score cutoff.** HUD's HECM rules don't use a credit score, and not having a credit history can't be the reason for a denial.
- **Payment history matters.** The lender looks at your last 12 to 24 months of housing, installment and credit card payments.
- **Property taxes are checked closely.** Two years of property tax and HOA payments, and one year of homeowners insurance.
- **Income must be steady.** Income counts if it's likely to continue for at least three years. Savings can count too, through a HUD formula.
- **What's left over each month is the test.** HUD calls it residual income, and it has a table by household size and region.
- **Falling short usually means a set-aside, not a flat no.** A required set-aside pays your taxes and insurance from the loan, which lowers what you can borrow. Sometimes the loan can't go forward.

Why the lender checks at all

Here's the reason, plainly. With a reverse mortgage there's no required monthly mortgage payment, but you still pay property taxes, homeowners insurance, HOA dues and upkeep. If those go unpaid, the loan can come due and the home can go to foreclosure.

HUD's rule (24 CFR 206.37) requires the lender to check whether the HECM is "a sustainable solution" for you before approving it. The balance also grows over time as interest, mortgage insurance and fees are added, so the loan has to make sense for the long run.

HUD's rule also says the review must be done the same way for everyone, without discrimination based on race, color, religion, sex, national origin, familial status, disability, marital status, sexual orientation, gender identity, source of income, or where the home is.

Part 1: Your credit history

The lender pulls a credit report from the credit bureaus. HUD tells it to look at your overall pattern, not one bad month, in this order: housing payments (including utilities), then installment loans, then credit cards and other revolving accounts.

HUD's "satisfactory" standard	What it means
Housing and installment payments	All on time for the last 12 months, and no more than two 30-day late payments in the last 24 months
Credit cards and revolving accounts	No major late payments in the last 12 months. HUD counts any payment more than 90 days late, or three or more payments more than 60 days late, as major.

HUD also tells lenders to remember that some people seek a HECM because of money trouble, and to consider whether the loan itself would fix it.

Other items on your report:

- **Collections.** You'll explain each one in writing. If collections add up to $2,000 or more, the lender either sees them paid, sees a payment plan, or counts 5% of the balance as a monthly expense. Medical collections aren't counted as debt.
- **Charge-offs.** You'll explain each one. They aren't counted as a monthly payment.
- **Court judgments.** Must be paid off before or at closing.
- **Disputed accounts.** Disputed medical bills and accounts from identity theft can be left out, with proof such as a police report.
- **Serious events** like a foreclosure, bankruptcy or default get extra attention. Payments under a bankruptcy plan are counted as a monthly expense.
- **Inquiries.** You'll explain any credit checks from the last 90 days.

Part 2: Your property tax and insurance history

I'd look closely at this part. HUD tells lenders to check:

- **Property taxes:** 24 months of payments to every taxing authority, for all real estate you own.
- **HOA, condo or PUD dues, and special assessments:** 24 months.

- **Homeowners and flood insurance:** proof of continuous coverage for the last 12 months.

HUD considers this satisfactory when everything is current at application and nothing was late in the last 24 months. If your insurance lapsed, you must get coverage and prepay 12 months at or before closing.

If a late tax payment was caused only by your old mortgage servicer paying late from escrow, that can be documented and treated as on time.

If you're behind now, see behind on taxes or insurance. Delinquent taxes are usually paid off from the loan at closing.

Part 3: Hard seasons (extenuating circumstances)

If your credit or tax history isn't satisfactory, the lender must consider what caused it. HUD's examples include losing income after a spouse died or a divorce, losing a job or hours, a medical emergency or hospital stay, or emergency home repairs insurance didn't cover. To count, the papers must show:

- the event and how it affected your money,
- that nothing else you did caused the problem,
- that it's unlikely to happen again (the lender considers how the HECM itself would help), and
- that you have some cushion, such as savings or other income.

Bring papers, not just a story: bills, letters, a death certificate, medical or insurance records, and a short written explanation.

Part 4: Your income

HUD calls it "effective income": income that's legally earned, documented, and likely to continue for at least the first three years.

Income	What the lender usually asks for
Social Security	A benefit letter, bank statement, SSA-1099 or tax return, plus the latest award letter

Income	What the lender usually asks for
Pension	A pension letter, bank statement or tax return. Government pensions are treated as continuing.
IRA or 401(k) withdrawals	The latest account statement and proof you receive them. Uneven withdrawals are averaged over two years.
Work income	Pay stubs, W-2s and employment history
Rental, trust, annuity or note income	The agreement or statement and proof of payments
Savings and investments	Can be turned into monthly income by HUD's formula (below)

Savings as income. HUD lets the lender count "imputed income from asset dissipation." It takes your liquid assets (money you could reach within a year without an IRS penalty), lowers taxable accounts by your tax rate or 15%, whichever is less, and divides by the youngest borrower's remaining life expectancy in months. The same money can't be counted twice.

Income that ends within three years, such as Social Security that's scheduled to stop, generally can't be counted.

Part 5: Your monthly expenses

The lender adds up your regular costs, including:

- federal and state income taxes,
- property taxes, homeowners and flood insurance, and HOA dues on the home,
- an estimate for utilities and upkeep, which HUD sets at $0.14 a month per square foot of living space (a formula from the Department of Veterans Affairs),
- installment loans, credit cards and student loans,
- payments on other properties you own,
- alimony and child support, judgments on payment plans, and bankruptcy plan payments.

Any mortgage or lien paid off by the reverse mortgage at closing is left out. Installment debts that will be paid off within 10 months may be left out if their payments together are no more than 5% of your gross monthly income.

Part 6: Residual income, and HUD's table

Residual income is your monthly effective income minus those monthly expenses. Every person in the household counts toward household size. HUD's table for the West, which includes California:

Household size	HUD's residual income standard (West)
1 person	$589 a month
2 people	$998 a month
3 people	$1,031 a month
4 or more	$1,160 a month

These are HUD's figures from the HECM Financial Assessment and Property Charge Guide (revised July 13, 2016; Section 3.100, "Table of Residual Incomes by Region"; California is in the West region). HUD uses the same figure for households of four or more. Ask your lender which version applies to your loan. It isn't an amount you receive.

If you fall short, the lender can look at compensating factors. Income ones include a spouse's income, a pension or Social Security award starting within 12 months, and income figured from the HECM money left after closing.

If you're at 80% or more of the standard, other strengths can count: two years of paying your own taxes and dues on time with no penalties, credit cards you pay in full every month, savings equal to your projected lifetime taxes and insurance, or enough HECM money to pay off debts so the standard is met.

Part 7: Federal debts and liens

- **Back federal taxes.** You're not eligible while delinquent, unless you're on an IRS repayment plan and have made at least three months of on-time payments (you can't prepay to get there). Or they can be paid off before or at closing.
- **Other federal debts,** such as a defaulted federal student loan. The lender checks a federal database (CAIVRS). A verified delinquent debt must be resolved with the agency before the loan can go forward. The lender can't deny you based on an unverified CAIVRS entry.

- **A late FHA mortgage on your home** must be paid off before or at closing.

What happens with the results

Result	What the lender does
History satisfactory and residual income met	No set-aside required. You can still choose one.
History satisfactory, residual income short, no compensating factors	At least a partially funded set-aside (money sent to you twice a year for taxes and insurance)
History not satisfactory and no documented hard season	At least a fully funded set-aside (the servicer pays taxes and insurance from the loan)
Still well short even with a set-aside	The HECM may not be a sustainable solution, and the loan may not go forward

Either set-aside lowers what you can borrow, and payments from it add to your balance. HOA dues and upkeep stay yours. See how a set-aside works.

Private (proprietary) reverse mortgages, such as HomeSafe Second, set their own credit and income rules. Ask for them in writing.

From Tom: My goal is that the people I work with "really understand what it is they're doing," and make "an honest, educated decision." If a family can afford to make a payment and isn't in retirement yet, there's usually no need for a reverse mortgage.

Made-up example: *A made-up example. Patricia is not a real person, and the details are invented.* Patricia, 68, lives in Chino Hills on Social Security and a small pension. Two years ago, after her husband died, she paid one property tax installment late, and a credit card went 60 days late.

Before applying, she gathers her award letter, pension letter, two years of tax bills, her insurance declarations page, her husband's death certificate and a short letter explaining that year. The lender reviews her history and weighs the documented hard season.

Her residual income comes up short for a one-person household, but her savings can be counted as income through HUD's formula, and that closes most of the gap. The lender

says a partially funded set-aside may be needed, which would lower what she could borrow.

Patricia goes over the numbers with her counselor and her son. She knows the balance will grow, and that her taxes, insurance and upkeep stay hers.

Do and don't

My advice, in short:

Do

- **Do** pull your own free credit reports first, and fix errors before you apply.
- **Do** gather two years of property tax and HOA records and a year of insurance records.
- **Do** write down any hard season and keep the papers that prove it.
- **Do** list every account you have savings in. It may count as income.

Don’t

- **Don't** pay down a loan just to squeeze it under HUD's 10-month rule (HUD doesn't allow it), and don't open new credit while you apply. The lender will ask about new inquiries.
- **Don't** pay anyone who promises "bad credit OK" or guaranteed approval for a fee.
- **Don't** pay any fee before counseling and California's 7-day wait.

Questions families ask

What credit score do you need for a reverse mortgage?

For a HECM, none. HUD's handbook says credit scores aren't used. The lender reviews your payment history, property tax and insurance history, income and expenses instead. Private loans may use scores; ask.

Can you get a reverse mortgage with bad credit?

Sometimes. If your history isn't satisfactory and there's no documented hard season, HUD requires at least a fully funded set-aside for taxes and insurance, which lowers what you can borrow. If the numbers still don't work, the loan may not go forward.

What are the income requirements for a reverse mortgage?

There's no set minimum. Your income, minus your regular expenses, should meet HUD's residual income standard for your household size and region. Income must be likely to continue three years, and savings can count through HUD's formula.

Can you get a reverse mortgage if you have other debt?

Yes. Your existing mortgage is paid off at closing. Other debts are counted as monthly expenses. Court judgments and delinquent federal debts must be resolved, and HUD lets the lender consider whether the HECM money would pay off debts.

Can I get a reverse mortgage if I owe back taxes?

Delinquent property taxes are usually paid from the loan at closing. Back federal income taxes must be paid, or you need an IRS repayment plan with at least three months of on-time payments.

Do I need a job to qualify?

No. Social Security, pensions, retirement withdrawals and other steady income count, and savings can be counted through HUD's formula.

Sources (read November 3, 2026)

- HUD, HECM Financial Assessment and Property Charge Guide (revised July 13, 2016, for case numbers assigned on or after Oct. 3, 2016), Section 3.100, Table of Residual Incomes by Region (West: $589, $998, $1,031, $1,160; West includes California)
- HUD Handbook 4000.1, Update 18, issued Aug. 12, 2026 (the HECM eligibility, credit history, monthly expense and effective income sections are dated Nov. 10, 2026, for small updates that don't change the rules on this page; the residual income table is dated April 29, 2024), Part II.B.2 (no minimum credit score; delinquent FHA mortgages; delinquent federal tax and non-tax debt; CAIVRS; tax and judgment liens) and II.B.5 (Financial Assessment: credit history standards, collections, charge-offs, judgments, disputed accounts, property charge history, extenuating circumstances, monthly expenses and the $0.14 per square foot formula, effective income and documentation, asset dissipation, residual income table by region, compensating factors, final decision and set-asides): https://www.hud.gov/hud-partners/single-family-handbook-4000-1 (full text: https://www.hud.gov/sites/default/files/Housing/documents/40001-hsgh-Update-18-Redline.pdf)
- 24 CFR 206.37 (Financial Assessment; "sustainable solution"; nondiscrimination) and 206.205 (set-asides), eCFR: https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206
- HUD Mortgagee Letter 2014-22 (Financial Assessment and Property Charge Guide, case numbers in 2015 and later): https://www.hud.gov/sites/documents/14-22ml.pdf
- California Civil Code 1923.2 (counseling and the 7-day wait): https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CIV&sectionNum=1923.2
- 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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