naf Reverse

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Reverse mortgage insurance in California: fire, earthquake, flood and the FAIR Plan

QUICK ANSWER

With a HECM, you must keep homeowners (hazard) insurance on the home for the life of the loan, plus flood insurance if the home is in a FEMA flood zone. HUD's HECM rules don't name earthquake insurance as required; your loan papers say which hazards your lender requires you to insure against, so check them and ask your servicer in writing. If your insurer won't renew, the California FAIR Plan is the state's insurer of last resort for fire coverage. I'll be plain about the stakes: if your insurance lapses, the servicer can buy a policy for you at your cost, and unpaid insurance can put the loan in default.

Key points

- **Homeowners insurance is required.** It must cover the hazards your lender requires, including fire, for the life of the loan, with the lender named as loss payee.
- **Flood insurance is required in a flood zone.** If any part of the home is in a FEMA Special Flood Hazard Area, you must keep flood insurance.
- **Earthquake insurance: check your papers.** HUD's rules don't name it as required. In California, homeowners policies don't cover earthquake damage, but they must cover fire caused by or following an earthquake.
- **If you're dropped, you have options.** California insurers must give 75 days' notice before nonrenewing, and the FAIR Plan sells basic fire coverage when no one else will.
- **A lapse costs you.** The servicer can buy lender-placed insurance, add the cost to your balance, and, if no loan funds are left, ask HUD to call the loan due.
- **Insurance is your bill.** There's no required monthly mortgage payment, but property taxes, homeowners insurance, HOA dues and upkeep stay yours, and the loan balance grows over time with interest, mortgage insurance and fees.

What HUD requires for a HECM

Coverage	Required for a HECM?	Rule
Homeowners (hazard) insurance	Yes, for the life of the loan	Insure all buildings on the property against fire and other hazards the lender requires, in the amount needed to protect the lender, with the lender as loss payee (24 CFR 206.27(b)(2))
Flood insurance	Yes, if the home is in a FEMA Special Flood Hazard Area	At least the lowest of: replacement cost, the most available from the National Flood Insurance Program, or the loan balance. If FEMA remaps your home into a flood zone, it becomes required (24 CFR 206.45(c); Handbook 4000.1)
Earthquake insurance	Not named in HUD's rules	Your mortgage requires insurance against the hazards your lender requires. Read your loan papers and ask your

Coverage	Required for a HECM?	Rule
		servicer in writing
Condo walls-in (HO-6)	Yes, if the HOA's master policy doesn't cover the inside of your unit	The two policies together must reach the required amount

You choose your own insurance company, as long as it's acceptable to the lender. Nobody involved in your loan can require you to buy insurance, an annuity or an investment from them as a condition of the loan.

A HECM is insured by the FHA, but that insurance protects the lender, not you. New American Funding is not acting for HUD, FHA or any government agency. Private (proprietary) loans such as HomeSafe and HomeSafe Second set their own insurance terms; ask your servicer for them in writing.

Earthquake insurance in California

The California Department of Insurance says:

- **Homeowners insurance doesn't cover earthquake damage.**
- **Fire after an earthquake is covered.** California law requires homeowners policies to cover fire caused by or following an earthquake, whether or not you have earthquake insurance.
- **Your insurer must offer earthquake coverage,** and must offer it every other year.
- **The California Earthquake Authority (CEA) provides most earthquake insurance in the state.** CEA policies are sold through participating home insurers, and deductibles run from 5% to 25% of the coverage (the lowest choice is 15% for some homes, such as those valued over $1 million or older raised-foundation homes not verified as retrofitted).
- **FAIR Plan customers can get CEA coverage too,** as a separate policy, if they have a FAIR Plan policy in force.

Whether earthquake insurance makes sense for you is a personal choice when your loan doesn't require it. I want you to make an honest, educated decision, so here are the

things to weigh: after the loan is repaid, your home's remaining equity goes to you or your heirs, and major earthquake damage could shrink it.

A high deductible means you'd pay a large share of a repair yourself. Ask a licensed insurance agent you choose for a CEA quote and compare it with your budget. A HUD-approved counselor can help you see how the premium fits with your other bills.

Flood zones

Your lender checked the flood zone at closing and gets life-of-loan flood updates. If any part of the home is in a FEMA zone beginning with A or V, flood insurance is required, through the National Flood Insurance Program or a private policy that meets HUD's standard.

Flood insurance is a separate policy; homeowners and earthquake policies generally don't cover flooding. You can check your home's flood map at FEMA's Flood Map Service Center (msc.fema.gov).

When your insurer won't renew

This part matters. Here's what the California Department of Insurance says, step by step:

1. **Watch for the notice.** An insurer must send a nonrenewal notice at least 75 days before your policy ends, with the reason. If it doesn't give proper notice, your policy stays in effect, on the same terms, for 75 days from when the notice is sent.
2. **Check the wildfire moratorium.** After the Governor declares a wildfire emergency, insurers generally can't cancel or refuse to renew homes in ZIP codes in or next to the fire area for one year (Insurance Code 675.1). The Department of Insurance lists the covered ZIP codes on its moratorium page.
3. **Shop the regular market first.** A licensed agent or broker can check other companies.
4. **If no one will insure you, use the FAIR Plan.** The California FAIR Plan is the state's insurer of last resort. Its dwelling policy covers fire and other basic hazards for owner-occupied homes with up to four units. It doesn't include liability or theft coverage. Your broker applies for you; there's no extra charge for using one. FAIR Plan: (800) 339-4099.

5. **Fill the gaps.** A "difference in conditions" (DIC) policy, sold by private insurers through brokers, can add coverage the FAIR Plan leaves out.
6. **Tell your servicer right away.** Send the new declarations page as soon as you have it, and ask in writing whether your new coverage (for example, a FAIR Plan policy, with or without a DIC policy) meets your loan's insurance terms.
7. **Get help.** The California Department of Insurance consumer hotline is 1-800-927-4357.

If insurance lapses

I'll be honest with you. If you don't renew or don't send proof, here's what HUD's rules and federal servicing rules say happens:

- **Notices first.** Under Regulation X (12 CFR 1024.37), which applies to reverse mortgage servicers (for most reverse mortgages; not those set up as open-end lines of credit), a servicer must mail a first notice at least 45 days before charging you for force-placed insurance, then a reminder at least 15 days before charging you. The notices must say this insurance may cost much more and cover less than a policy you buy.
- **Lender-placed insurance.** If you still don't show coverage, the HECM servicer must buy hazard insurance (and flood insurance, if required) at a reasonable rate, which HUD ties to the state's rate standard or FAIR Plan rate. It may cost much more and cover less than a policy you buy, for example not your belongings or liability.
- **The cost is added to your balance.** The servicer can pay the premium from your line of credit or change your payment plan to pay it.
- **If no loan funds are left,** the servicer must notify you in writing, and you have 30 days to explain. If you can't repay what it advanced, it can ask HUD to call the loan due. HUD's rules allow some help, such as repayment plans. See behind on taxes or insurance and can you lose your home?
- **Proof fixes it.** If you show you had coverage all along, the servicer must cancel the force-placed policy within 15 days and refund the charges for the overlap.

A set-aside can pay your homeowners and flood insurance for you from the loan; it doesn't pay HOA dues or upkeep. See how a set-aside works.

After a fire, earthquake or other disaster

- **File your claim quickly** and tell your servicer. The lender is named on the policy, so checks for the house may be made out to both of you.
- **Money for your belongings and temporary housing is yours.** HUD requires the servicer to release those insurance payments to you promptly, and it can't hold them back to cover money you owe without your written consent.
- **Money for the house goes to repairs.** The servicer must release it for repairs once it approves a workable repair plan. It can't apply it to your loan balance unless the money exceeds the repair cost, or it isn't enough and you can't show other funds to finish the job.
- **Disaster areas get more time.** In a presidentially declared major disaster area, HUD requires a 90-day pause on foreclosures of HECMs that are due for reasons other than the last borrower's death.

Made-up example: Norma, 74, owns her condo in Diamond Bar with a HECM. Her HOA's master policy covers the building, and she keeps her own walls-in (HO-6) policy for the inside of her unit. When her renewal came, her insurer offered earthquake coverage through the CEA, as it must every other year.

Norma read her loan papers, which don't list earthquake coverage among the required hazards, and asked her servicer in writing to confirm. She then compared the CEA quote, the deductible choices and her budget, and talked it over with her daughter before deciding.

Either way, she mailed her HO-6 renewal page to the servicer the same week, because proof of insurance is her job. *A made-up example. Norma is not a real person.*

Do and don't

My advice: read your papers, keep proof, and bring your family into the earthquake decision.

Do

- **Do** read your loan papers for the insurance your lender requires, and keep a copy of every policy.
- **Do** send each renewal declarations page to your servicer.
- **Do** open every letter from your insurer and servicer; nonrenewal and force-placed notices have deadlines.
- **Do** check whether your ZIP code is in a wildfire moratorium if you get a nonrenewal.
- **Do** ask about a CEA quote and weigh it with your family.

Don’t

- **Don't** let your homeowners or flood insurance lapse, even for a day.
- **Don't** assume a force-placed policy protects your belongings. It may not.
- **Don't** accept pressure to buy insurance, an annuity or an investment as part of getting a reverse mortgage.

Questions families ask

Do I need earthquake insurance with a reverse mortgage?

HUD's HECM rules don't name earthquake insurance as required. Your loan papers say which hazards you must insure against, so check them and ask your servicer in writing. Homeowners insurance in California doesn't cover earthquake damage, so it's a choice worth weighing.

Who keeps paying the property taxes and homeowners insurance on a reverse mortgage?

You do, unless you have a fully funded set-aside or chose to have the servicer pay them from the loan. Either way the cost is yours, and payments made from the loan are added to your balance. HOA dues and upkeep are always yours.

My parents can't get anyone to insure their house. What now?

Have a licensed broker check other companies, then apply to the California FAIR Plan, the state's insurer of last resort, and add a difference in conditions policy if needed. Tell the servicer right away, in writing, and send proof the day coverage starts. If there's a gap, the servicer can buy insurance and add the cost to the balance.

Is the California FAIR Plan enough for a reverse mortgage?

It covers fire and other basic hazards, not liability or theft. Ask your servicer in writing whether a FAIR Plan policy, alone or with a difference in conditions policy, meets your loan's insurance terms.

What happens if my homeowners insurance lapses on a reverse mortgage?

After written notices, the servicer can buy lender-placed insurance at your cost and add it to your balance. If no loan funds are left and you can't repay it, the servicer can ask HUD to call the loan due. Show proof of coverage and the servicer must cancel the policy and refund the overlap.

Do I need flood insurance?

Only if the home is in a FEMA Special Flood Hazard Area, which your lender checks. If FEMA remaps your home into one, flood insurance becomes required.

Sources (read November 3, 2026)

- 24 CFR 206.27(b)(2) (insure against fire and hazards the lender requires; flood as HUD requires), 206.45(c) (flood insurance in special flood hazard areas), 206.205 (insurance is a property charge; non-payment steps, 30-day notice, due and payable request), 206.209(b) (insurance proceeds): https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206
- HUD Handbook 4000.1 (last revised August 12, 2026), Section II.B.2.b.iii(A)(3) and (4) (hazard and flood insurance at origination), II.B.8.c (condo master and HO-6 policies), III.B.1.m (insurance coverage administration, lender-placed insurance at a reasonable rate tied to FAIR Plan rates, insurance proceeds), III.B.3.a (90-day foreclosure moratorium in presidentially declared disaster areas): https://www.hud.gov/sites/default/files/Housing/documents/40001-hsgh-Update-18.pdf
- Regulation X, 12 CFR 1024.37 (force-placed insurance notices, cancellation and refund): https://www.ecfr.gov/current/title-12/chapter-X/part-1024/subpart-C/section-1024.37
- CFPB, Reverse Mortgage Servicing Examination Procedures (July 2026; force-placed insurance rule applies to reverse mortgage servicers): https://files.consumerfinance.gov/f/documents/cfpb_reverse-mortgage-servicing-procedures_2026-07.pdf
- California Department of Insurance, Earthquake Insurance (no earthquake coverage in homeowners policies; fire following earthquake covered; offer every other year; CEA deductibles): https://www.insurance.ca.gov/01-consumers/105-type/95-guides/03-res/eq-ins.cfm
- California Department of Insurance, Residential Insurance Guide (75-day nonrenewal notice; FAIR Plan basics and phone): https://www.insurance.ca.gov/01-consumers/105-type/95-guides/03-res/res-ins-guide.cfm
- California Department of Insurance, Mandatory One Year Moratorium on Non-Renewals (Insurance Code 675.1): https://www.insurance.ca.gov/01-consumers/140-catastrophes/MandatoryOneYearMoratoriumNonRenewals.cfm
- California Department of Insurance, consumer help (1-800-927-4357): https://www.insurance.ca.gov/01-consumers/101-help/index.cfm
- California FAIR Plan, About and Dwelling policy: https://www.cfpnet.com/about-fair-plan/ and https://www.cfpnet.com/policies/dwelling/
- California FAIR Plan, Earthquake (CEA coverage for FAIR Plan policyholders): https://www.cfpnet.com/policies/earthquake/
- California FAIR Plan, Difference in Conditions: https://www.cfpnet.com/difference-in-conditions-dic/
- California Earthquake Authority, How to buy earthquake insurance: https://www.earthquakeauthority.com/california-earthquake-insurance-policies/how-to-buy-earthquake-insurance-california
- FEMA Flood Map Service Center: https://msc.fema.gov/portal/home
- 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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