naf Reverse

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How to get out of a reverse mortgage: cancel, pay off early, refinance or sell

QUICK ANSWER

The short version: you can get out of a reverse mortgage four ways: cancel it within three business days of closing (for most loans that aren't purchases), pay it off early at any time with no prepayment penalty, refinance it into a regular mortgage or a new reverse mortgage, or sell the home and pay it off from the sale. You keep the title to your home the whole time, so "getting out" means paying back the loan, not buying your house back.

Key points

- **You have a short window to cancel.** Most reverse mortgages that aren't home purchases can be canceled until midnight of the third business day after closing. Do it in writing.
- **No prepayment penalty.** HUD's rules and California law let you pay off a HECM in full, or pay part of it, at any time without a penalty.
- **Paying part of it can help.** On an adjustable-rate HECM, a partial payment can go back into your line of credit. On a fixed-rate HECM, it lowers the balance but can't be borrowed again.
- **Refinancing is a new loan.** A regular mortgage brings back a monthly payment and needs income and credit approval. A new HECM goes through the full review again.
- **Selling is another way out.** The loan is paid from the sale, and anything left over is yours. With a HECM, you don't pay more than the home is worth out of your other savings.

This page covers getting out on purpose, while you're living in the home. If a parent has died, see what happens when a parent dies. This is general information, not legal or tax advice. Your servicer confirms the numbers and steps for your loan.

Your four ways out at a glance

Way out	When	What it costs you	Good to know
Cancel (the right to rescind)	Until midnight of the 3rd business day after closing	Nothing; the lender returns what you paid within 20 days	Not available on a HECM for Purchase
Pay it off early	Any time	The full balance (what you drew plus interest, mortgage insurance and fees)	No prepayment penalty
Refinance	Any time you qualify	Closing costs on the new loan	A regular mortgage means monthly payments again
Sell the home	Any time	The balance is paid from the sale	Anything left after the payoff and selling costs is yours

1. Cancel within three business days

Federal law (Regulation Z, 12 CFR 1026.23) gives you the right to cancel, also called the right to rescind, on most loans secured by your main home. You have until midnight of the third business day after closing, or after you get the cancel notice and the required disclosures, whichever is later. For this rule, business days include Saturdays but not Sundays or federal holidays.

- **Do it in writing.** Use the cancel form the lender gave you at closing. The FTC suggests sending it by certified mail with a return receipt, and keeping copies of everything.
- **You don't need a reason.** You can cancel for any reason, without a penalty.
- **The money waits.** The lender can't pay out loan money (other than into escrow) until the three days are over and it's satisfied you haven't canceled.

- **You get your money back.** Within 20 calendar days of getting your notice, the lender must return any money you paid and release its lien on your home.
- **Purchases are different.** A HECM for Purchase (using a reverse mortgage to buy a home) has no 3-day right to cancel.
- **Same lender, new money only.** If you refinance with the same lender, the right to cancel may cover only the new money.

If the lender never gave you the notice or the required disclosures, the right to cancel can last up to 3 years. That's a question for an attorney, not a do-it-yourself fix.

California adds a step before you get this far: you meet with an independent HUD-approved counselor, and the lender can't take your final application or charge a fee until 7 days after that session (Civil Code 1923.2).

Think of the 7 days as your first chance to change your mind, and the 3 days after closing as your last easy one.

2. Pay it off early, all or part

HUD's rule is clear: you may repay a HECM in full, or pay part of it, "without charge or penalty at any time" (24 CFR 206.209). California's reverse mortgage law also bans prepayment penalties on reverse mortgages (Civil Code 1923.2).

Paying it all off. Ask the servicer for a payoff statement in writing. The payoff is more than you drew: the balance grows over time with interest, mortgage insurance and any fees or costs added to the loan.

When it's paid, ask the servicer to confirm in writing that the lien is released and the release is recorded with the county. Keep that paper with your deed.

Paying part of it. There is no required monthly mortgage payment on a reverse mortgage, but you can choose to pay. You still pay your property taxes, homeowners insurance, HOA dues and upkeep either way. What a voluntary payment does depends on your loan:

- **Adjustable-rate HECM with a line of credit.** HUD's model adjustable-rate note lets you say where a partial payment goes, and if you don't say, it goes to a line of credit.

That means money you pay back can usually be borrowed again later. Ask your servicer how your note handles it before you send money.

- **Fixed-rate HECM.** A partial payment lowers what you owe, but HUD's rule says the room it frees up can't be drawn again (24 CFR 206.19).
- **Private (proprietary) loans** such as HomeSafe Second set their own rules. Check your loan papers. See HomeSafe Second.

Payments are applied in the order your note sets. On HUD's model note, that's mortgage insurance first, then servicing fees, then interest, then principal. Whether any of it is tax-deductible is a question for a tax professional.

3. Refinance

Into a regular (forward) mortgage

Some people move from a reverse mortgage to a regular mortgage, for example when a son or daughter moves in to help and wants to share the costs, or when income has gone up. A regular mortgage pays off the reverse mortgage, but:

- A monthly mortgage payment comes back, and you must qualify for it with your income and credit.
- The new loan has its own closing costs.
- The new loan must be big enough to pay off the full reverse mortgage balance.

Compare the monthly payment against your budget for the long run, not just for this year. See alternatives: HELOC, home equity loan or selling.

Into a new HECM

A HECM can be refinanced into a new HECM. People look at this when their home's value or the HUD loan limit has gone up a lot since they closed. HUD's rule (24 CFR 206.53) adds protections:

- **The lender must show you the math.** You get its best estimate of the total cost of the refinance and how much more you could borrow (HUD calls it the "anti-churning" disclosure).
- **It must be worth it.** The increase in what you can borrow has to be larger than the total cost of the refinance by an amount HUD sets.
- **It's a full new loan.** The same review, disclosures and financial assessment apply. Counseling can be skipped only in narrow cases (for example, a prior counseling session, the disclosure above, the benefit test met, and no more than 5 years since the original closing). In California, the counseling and 7-day wait rules apply to any reverse mortgage. See refinancing into a reverse mortgage.

A new HECM resets your costs, and the balance keeps growing on the new loan. My advice: ask for both loans side by side, in writing.

4. Sell the home

You can sell a home with a reverse mortgage just like any other home. Selling and moving out for good makes the loan due, and it is paid off at closing from the sale. Whatever is left after the payoff and selling costs is yours.

- **Ask for the payoff early.** Request a written payoff from the servicer when you list the home, and again before closing. The escrow company will also order one.
- **Keep the bills paid until closing.** Property taxes, homeowners insurance, HOA dues and upkeep stay yours.
- **If you owe more than the home is worth.** A HECM is a "non-recourse" loan: you aren't personally liable for the balance, and the lender can collect only from the home (24 CFR 206.27). HUD has rules for these sales, so ask the servicer about them before you sign a sales contract. FHA insurance pays the lender the

difference. It protects the lender, not you. New American Funding is not acting for HUD, FHA or any government agency.

Some people sell to move closer to family or into a single-story home. If you're 62 or older and buying again, a HECM for Purchase is one way to buy the next home with no required monthly mortgage payment.

You'd still pay property taxes, homeowners insurance, HOA dues and upkeep, and the balance grows over time. California's Prop 19 may let homeowners 55 and older move their property tax base. See types of reverse mortgages.

Made-up example: *This is a made-up example. Ernesto is not a real person.*

Ernesto, 76, took out an adjustable-rate HECM on his Pomona home four years ago and drew from the line of credit for a new roof and dental work. Now his daughter wants him to move in with her in Ontario.

He calls his servicer, asks for a written payoff, and keeps paying his property taxes and insurance while the house is listed. The home sells, the reverse mortgage is paid at closing, and the rest of the sale money goes to him.

He asks the servicer to confirm the lien is released and keeps the paper. Before he decides what to do with the money, he talks to a tax professional and a benefits advisor, because he gets Medi-Cal. See SSI, Medi-Cal and benefits.

Made-up example: *This is a made-up example. Joyce is not a real person.*

Joyce, 68, of Covina, closes on a HECM refinance on a Tuesday. That evening, her son points out she chose a fixed rate with a large lump sum when she only needed a small cushion.

She reads the cancel notice from closing, signs it, and mails it by certified mail on Thursday, keeping a copy. The lender returns her fees and releases its lien. She goes back to her counselor to talk through a line of credit instead.

Do and don't

My advice, in short:

Do

- **Do** read the cancel notice the day you close, and know your deadline.
- **Do** ask your servicer in writing for the payoff, and how a partial payment will be applied.
- **Do** keep paying property taxes, homeowners insurance, HOA dues and upkeep until the loan is paid off.
- **Do** get both loans side by side, in writing, before any refinance.

Don’t

- **Don't** let anyone talk you out of canceling during the 3 days. It's your right.
- **Don't** refinance just because someone calls you about it. A new loan means new costs.
- **Don't** assume a private (proprietary) loan follows HUD's rules. Check your papers.

Questions families ask

How do you get out of a reverse mortgage?

Cancel it within three business days of closing (most loans that aren't purchases), pay it off with cash or savings, refinance it into another loan, or sell the home and pay it from the sale. There is no prepayment penalty on a HECM or on any California reverse mortgage.

Can a reverse mortgage be reversed or undone?

Yes, two ways. In the first three business days after closing you can cancel in writing and get your money back. After that, you "undo" it by paying it off, either from savings, a new loan or a sale.

Can you pay off a reverse mortgage early?

Yes, at any time, in full or in part, without a penalty. Ask the servicer for a written payoff first, because the balance includes interest, mortgage insurance and fees, not just what you drew.

Can you refinance a reverse mortgage?

Yes. You can refinance into a regular mortgage (which brings back a monthly payment and needs income and credit approval) or into a new HECM, which must give you a meaningful increase over its costs under HUD's rules. Either one is a full new loan with its own costs.

Can you sell a house with a reverse mortgage?

Yes. The loan is paid off at closing from the sale, and what's left after the payoff and selling costs is yours. If the home is worth less than the balance, a HECM's non-recourse rule means you don't pay the difference from your other savings. Ask the servicer about HUD's sale rules first.

Do I get my house back after I pay it off?

You never gave it up. With a reverse mortgage, you keep the title, and the lender holds a lien, like any mortgage. When the loan is paid, the lien is released. Ask the servicer to confirm it's recorded with the county.

Sources (read November 3, 2026)

- 12 CFR 1026.23, right of rescission (3 business days, 3-year limit, no disbursement during the period, 20 days to return money, purchase and same-creditor exemptions): https://www.ecfr.gov/current/title-12/chapter-X/part-1026/subpart-C/section-1026.23
- FTC, "Reverse Mortgages" (Aug. 2022): cancel in writing within 3 business days (Saturdays count), certified mail, 20 days to return payments: https://consumer.ftc.gov/articles/reverse-mortgages
- 24 CFR 206.209, prepayment without charge or penalty: https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206
- 24 CFR 206.19(h)(3), fixed-rate partial prepayments can't be drawn again: https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206
- 24 CFR 206.53, HECM-to-HECM refinance (anti-churning disclosure, benefit test, counseling waiver): https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206
- 24 CFR 206.27, non-recourse and when the loan comes due: https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206
- HUD Handbook 4235.1, Appendix 6, model adjustable-rate HECM note, paragraph 6 (borrower's right to prepay; partial prepayments applied to a line of credit): https://hud.gov/sites/documents/42351x6hsgh.pdf
- California Board of Equalization, Prop 19 (55 and older may move their property tax base): https://www.boe.ca.gov/prop19/
- California Civil Code 1923.2 (no prepayment penalty; 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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