naf Reverse

Tom Jarboe, Regional Sales Manager
NMLS #210600 · (909) 869-6588
tom.jarboe@naf.com



How a reverse mortgage works in California, step by step

QUICK ANSWER

A reverse mortgage is a loan on your home. This page covers the FHA-insured kind, called a HECM, where interest and fees are added to the balance over time, and the loan is repaid when the last borrower dies, sells or moves out, or doesn't meet the loan terms. There are no required monthly mortgage payments, but you must keep paying property taxes, homeowners insurance, HOA dues and upkeep.

Key points

- **It's a loan.** Interest and fees are added to the balance over time, so less equity is left as the years go by.
- **When it's repaid.** It's repaid when the last borrower dies, sells, moves out, or doesn't meet the loan terms.
- **What you keep paying.** There is no required monthly mortgage payment, but you still pay property taxes, homeowners insurance, HOA dues and upkeep.
- **Counseling and a wait come first.** You meet with an independent HUD-approved counselor, then California adds a 7-day wait before a final application or any fee.
- **You keep the title.** You can stay as long as you live there and meet the loan terms, or the loan can come due and the home can go to foreclosure.

I'll put the catches right next to the steps. You keep the title and can stay as long as you live there and meet the loan terms. If you don't, the loan can come due and the home can go to foreclosure.

New American Funding is not acting for HUD, FHA or any government agency, and this page is general information, not a commitment to lend.

The steps, in order

Here's the order things happen in:

1. **Check the basics.** The youngest borrower must be 62 or older at closing. The home must be the principal residence of each borrower. Any mortgage on the home is paid off at closing. Any delinquent federal debt must be resolved; ask the lender whether it can be paid from the loan at closing. See who qualifies for more.
2. **Meet with an independent counselor.** Every borrower, and any spouse or owner who is not a borrower, meets with a HUD-approved HECM counselor before applying. I don't choose or pay the counselor. Details: counseling near Diamond Bar.
3. **Wait 7 days.** In California, a lender can't accept a final application or charge any fee until 7 days after the counseling date on your certificate.
4. **Apply.** Federal law has the lender give you a "total annual loan cost" disclosure. It includes a statement that signing an application doesn't obligate you. Nobody involved in the loan can require you to buy an annuity, and they can't refer you for other financial or insurance products before closing or before your right to cancel ends.
5. **Financial assessment.** The lender does a financial assessment. Based on the results, it may require a set-aside account (a "LESA"), which holds back some of the loan money to pay your taxes and insurance. You can also ask for one, and a set-aside you choose can't be cancelled later. It reduces the money available to you. See the set-aside account.
6. **Appraisal.** The home is appraised to find its value.
7. **Closing.** You sign the loan papers, and any existing mortgage is paid off.
8. **Right to cancel.** Most reverse mortgages that aren't purchases come with a right to cancel until midnight of the third business day after closing (or after you get the notice and disclosures, whichever is later).
9. **After closing.** Keep paying the costs in the table below. Answer your servicer's yearly letter or call about whether you still live in the home. It can be done on paper, online or by phone. Tell the servicer if you'll be away for more than two months.

What the financial assessment looks at. HUD requires the lender to review your credit history, your income and monthly cash flow, and the money left over after your regular bills.

If there was a documented event that led to credit or payment problems, the lender can consider that too, along with other strengths in your finances. The question is whether a HECM is a sustainable solution for you.

Expect to be asked for records of your income, assets, debts, and property tax and insurance payments.

What you keep paying

Cost	Who pays
Required monthly mortgage payment	None required. You may choose to pay toward the balance.
Property taxes, including special assessments	You
Homeowners insurance, and flood insurance where required	You
HOA, condo and PUD fees, and ground rent	You
Repairs and upkeep	You must keep the home in good repair

A set-aside account may pay taxes and insurance out of the loan, but it still comes out of your loan money.

What decides how much you could get

The amount depends on the age of the youngest borrower (or eligible non-borrowing spouse), the value of the home, and current interest rates. I don't quote amounts on this page. The 2026 HECM limit is $1,249,125 for FHA case numbers assigned Jan. 1 to Dec. 31, 2026.

That number only caps the home value HUD uses in the calculation. It is not a loan amount, and it is not what anyone would get. See how much you can get.

When the loan comes due

- The last borrower dies. An eligible non-borrowing spouse may be able to stay. See what happens when a parent dies.

- You sell the home or give away the title.
- The home stops being the main home of every borrower. In California, absences of up to 60 days in a row don't trigger this.
- A borrower is away more than 12 months in a row for illness, and no other borrower lives there.
- Property taxes, insurance or other loan terms aren't kept up. The servicer may offer help, so call early.

Buying a home with a HECM

You can also use a HECM to buy a primary residence, if you can cover the gap between the loan proceeds and the price plus closing costs. You must move in within 60 days of closing. Purchase loans have no 3-day right to cancel. I can offer it through New American Funding.

Do and don't

My advice:

Do

- **Do** talk with a lender you trust and meet with an independent HUD-approved counselor before you apply. Counseling is required, and you can't apply until it's done.
- **Do** plan for property taxes, homeowners insurance, HOA dues and upkeep, which are still yours to pay.
- **Do** answer your servicer's yearly letter or call about whether you still live in the home.
- **Do** tell the servicer if you'll be away for more than two months.

Don’t

- **Don't** let taxes, insurance or other loan terms slip, and call the servicer early if you fall behind.
- **Don't** agree to buy an annuity as part of the loan, because nobody involved in the loan can require it.
- **Don't** read the HECM limit as a loan amount, since it only caps the home value HUD uses in the calculation.
- **Don't** assume a reverse mortgage is the answer for every family.

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

Example: Walter and the steps

Walter, 70, lives in Walnut and still has a mortgage on his main home. He talks with a lender about the basics, then meets with an independent HUD-approved counselor, as required before he can apply, and then California makes him wait 7 days before a final application or any fee.

A lender explains what comes next if he applies: a financial assessment, which may lead to a set-aside, then an appraisal and closing, where his old mortgage would be paid off. The lender is plain about what stays the same.

Walter would have no required monthly mortgage payment, but he would still pay property taxes, homeowners insurance, HOA dues and upkeep, and his balance would grow with interest and fees. If those terms aren't kept up, the loan can come due. Walter takes the week to think, and writes down his questions.

Questions families ask

Is a HECM the same as a reverse mortgage?

A HECM (Home Equity Conversion Mortgage) is the FHA-insured kind of reverse mortgage. Other kinds exist that are not FHA-insured. This page is about the HECM. Through New American Funding, I can also offer private reverse mortgages such as HomeSafe and HomeSafe Second. See the types of reverse mortgages.

What do I pay each month?

There is no required monthly mortgage payment. You still pay property taxes, homeowners insurance, HOA dues and upkeep.

Can I pay it off early?

Yes. California reverse mortgages have no prepayment penalty. You can also choose to pay toward the balance while you have the loan. See getting out.

Can I outlive a reverse mortgage?

The loan doesn't come due just because time passes. It comes due for the reasons listed above. The balance does grow with interest and fees, so less equity is left over time. The CFPB advises planning for a long life so you don't use up your equity too early.

Will it affect my SSI or Medi-Cal?

Loan proceeds generally aren't income, but money you hold can affect SSI or Medi-Cal. Check with a benefits advisor before you decide. The California worksheet asks about benefits for this reason.

What could keep me from qualifying?

Being under 62, the home not being your main home, delinquent federal debt the loan can't pay off, or the results of the financial assessment. That is not the full list, and I can tell you early whether you meet the basics.

Sources (read October 28 to November 2, 2026)

- California Civil Code, Chapter 8, Reverse Mortgages (sections 1923 to 1923.10): https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=CIV&division=3.&title=4.&part=4.&chapter=8.&article=

- 24 CFR 206.33, age: https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206/subpart-B/section-206.33
- 24 CFR 206.41, counseling: https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206/subpart-B/section-206.41
- 24 CFR Part 206 (sections 206.27, 206.37, 206.39, 206.205, 206.211), eCFR: https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206
- 12 CFR 1026.23, right to cancel: https://www.ecfr.gov/current/title-12/chapter-X/part-1026/subpart-C/section-1026.23
- 12 CFR 1026.33, total annual loan cost: https://www.ecfr.gov/current/title-12/chapter-X/part-1026/subpart-E/section-1026.33
- HUD, HECM information (purchase, counseling): https://www.hud.gov/hud-partners/single-family-hecmhome
- HUD news release No. 25-145, 2026 HECM limit (Dec. 11, 2025): https://www.hud.gov/news/hud-no-25-145
- HUD Handbook 4000.1, annual occupancy certification (Part III.B.1.p), last revised Aug. 12, 2026: https://www.hud.gov/hud-partners/single-family-handbook-4000-1
- CFPB, "What is a reverse mortgage?" (modified Aug. 31, 2026): https://www.consumerfinance.gov/ask-cfpb/what-is-a-reverse-mortgage-en-224/
- CFPB, reverse mortgage consumer tools (modified Sept. 25, 2026): https://www.consumerfinance.gov/consumer-tools/reverse-mortgages/
- CFPB consumer advisory on reverse mortgage advertising (June 4, 2015), for "plan for a long life": https://consumerfinance.gov/about-us/newsroom/consumer-advisory-dont-be-misled-by-reverse-mortgage-advertising
- FTC, "Reverse Mortgages" (page dated Aug. 2022): https://consumer.ftc.gov/articles/reverse-mortgages
- New American Funding, reverse mortgage page: https://www.newamericanfunding.com/loan-types/reverse-mortgage/



Talk with me first

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

(909) 869-6588 · tom.jarboe@naf.com

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

Tom Jarboe, NMLS #210600, New American Funding, LLC, Company NMLS ID #6606. Branch NMLS #2856926. 20955 Pathfinder Rd, Suite 200, Diamond Bar, CA 91765. Licensed by the Department of Financial Protection and Innovation under the California Residential Mortgage Lending Act. Loans made or arranged pursuant to a California Financing Law license. This guide is not from HUD or FHA and was not approved by HUD, FHA or any government agency. Not a commitment to lend. Equal Housing Lender. More guides at thereverseguide.com.