naf Reverse

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Is a reverse mortgage a good idea? Honest answers, both sides

QUICK ANSWER

A reverse mortgage can be a good idea for some homeowners 62 and older (55 and older for some loans) who plan to stay in their home for years and can keep paying the property taxes, insurance and upkeep. It is usually a poor fit if you may move soon, can't keep up with those bills, or want to leave the home to your family free and clear. The biggest downside is that the loan balance grows over time, so the equity left for you and your heirs shrinks.

Key points

- **The balance grows.** Interest, mortgage insurance and fees are added to the loan every month, so what you owe goes up, not down.
- **Less for your heirs.** When the loan is repaid, your family gets only what's left after the balance is paid, and sometimes that's nothing.
- **It costs more to get than most loans.** The CFPB says closing costs are typically higher than for other loans, largely because of mortgage insurance.
- **The bills stay yours.** There's no required monthly mortgage payment, but you must keep paying property taxes, homeowners insurance, HOA dues and upkeep. Fall behind and the loan can come due.
- **It fits some people well.** It tends to suit homeowners who plan to stay a long time, can afford the home's ongoing costs, and have talked it over with their family and a counselor.

I offer reverse mortgages, so I cover the hard parts plainly, on purpose. If they rule it out for you, that's a good outcome too.

The downsides, in plain words

1 The balance grows, and your equity shrinks

With a regular mortgage, each payment lowers what you owe. A reverse mortgage works the other way. Interest and fees are added to the balance each month, so the balance goes up over time and your home equity goes down. The more you draw and the longer the loan runs, the bigger the balance gets.

2 Less left for your heirs

The loan comes due when the last borrower dies, sells, or moves out for good. Your heirs can pay it off and keep the home, sell the home, or sign it over. Many families sell. To keep the home, heirs ask the servicer in writing for the exact payoff amount.

What's left after the sale goes to your heirs, and that may be much less than they expected.

There is one protection. A HECM (the FHA-insured reverse mortgage) is "non-recourse": no one owes more than the home is worth when it's repaid. If the balance is higher than the home's value, heirs can sell it for at least 95% of the appraised value, and that settles the loan.

FHA insurance covers the rest, but that insurance protects the lender, not you. New American Funding is not acting for HUD, FHA or any government agency.
What happens when a parent dies

3 It costs more up front than most loans

A HECM has an upfront mortgage insurance premium and an ongoing one, an origination fee, and the usual closing costs such as the appraisal, title and recording.

HUD's rule for every HECM (24 CFR 206.31) caps the origination fee, and a lender may charge less: the greater of $2,500 or 2% of the first $200,000 of the home's value (as HUD figures it), plus 1% of the amount above that, with a $6,000 cap.

Most costs can be paid from the loan, which means they add to the balance and keep growing with it. What a reverse mortgage costs

4 The obligations never stop

You must:

- live in the home as your main home,
- pay property taxes and homeowners insurance (and flood insurance if required),
- pay HOA or condo dues, and
- keep the home in good repair.

If you don't, the loan can come due, and the home can go to foreclosure. The lender may require part of the loan to be held back in a set-aside to pay taxes and insurance, which lowers what you can use. How a set-aside works · Behind on taxes or insurance?

5 The loan comes due, sometimes sooner than you planned

The loan must be repaid when the last borrower dies, sells, moves out for good, or is away more than 12 months in a row because of illness (for example, in a care home), or when the loan terms aren't met.

If you might move to be near family or into assisted living in a few years, the costs may outweigh what you get. Occupancy rules

6 Other people in the home can be at risk

If someone who isn't a borrower lives with you, such as an adult child or a younger spouse, they may have to leave when the loan comes due. A spouse can stay only in limited cases, and only if they're named in the loan papers at closing. When a spouse isn't on the loan

7 It can affect benefits and other programs

Loan advances are generally not taxable income, but money you keep in the bank can count for SSI and Medi-Cal. A reverse mortgage also doesn't mix with California's Property Tax Postponement program. Talk to a tax professional and a benefits advisor. SSI, Medi-Cal and benefits · Property Tax Postponement

The upsides, fairly stated

Here's the other side of the ledger:

- **No required monthly mortgage payment.** That can free up cash flow, especially if a HECM pays off a mortgage you already have. Taxes, insurance, HOA dues and upkeep stay yours.
- **You keep the title.** You can stay as long as you live there as your main home and meet the loan terms.

- **Choices in how you get the money.** A lump sum (fixed rate only), monthly payments, a line of credit, or a mix. Ways to receive the money
- **An unused HECM line of credit grows.** Under HUD's rules, the unused part of the line grows over time, and California law penalizes a lender that fails to make required advances. Draws stop if the loan comes due.
- **Non-recourse.** You and your heirs won't owe more than the home is worth when the loan is repaid.
- **Strong protections in California.** Independent counseling, a 7-day wait after counseling before any final application or fee, and no one involved in the loan can require you to buy an annuity, investment or insurance.

Who it often fits, and who it usually doesn't

Often fits	Usually doesn't fit
You're 62 or older and plan to stay in the home for many years	You may sell or move within a few years
You can comfortably pay property taxes, insurance, HOA dues and upkeep	Those bills are already hard to pay, even with no required monthly mortgage payment
A mortgage payment is squeezing your budget and a HECM could pay it off	Your current mortgage is more than a reverse mortgage could pay off, plus costs
Your family knows the plan, or leaving the home to heirs isn't your goal	Leaving the home free and clear to your children matters most to you
You live alone or with a co-borrower, or a spouse who can be named in the papers	An adult child or other person lives with you and would need to stay
You want a backup line of credit for later years	You need a small amount for one bill, which a cheaper program might cover
You've compared the options with a counselor	Someone is pushing you to decide fast, or to put the money into an annuity or investment

California's own worksheet, "Is a Reverse Mortgage Right for Me?", asks you to think about the same things: who else lives in the home, whether you can keep up taxes, insurance and repairs, what other options you have, whether anyone wants you to buy financial products, and how the loan affects your benefits. The lender must give it to you before counseling.

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

Example: Kenji and his plan to stay

Kenji, 76, has lived in his Rowland Heights home for 35 years and plans to stay. He still owes a small mortgage, and the payment strains his budget. His two grown children live out of state and have homes of their own.

He meets an independent HUD-approved counselor and brings his daughter on the call. The counselor walks him through the downsides: the balance will grow, his children will likely get less from the house, and he must keep paying the property taxes, insurance and upkeep.

Kenji decides that staying in his home matters more to him than leaving it free and clear, and his children agree. He asks a lender for the costs in writing and compares them with a cash-out refinance before he decides. Other options to compare

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

Example: Albert's move

Albert, 70, lives in Hacienda Heights and thinks he'll move near his grandchildren in about three years. He wants cash for a new roof.

A counselor points out that the upfront costs of a reverse mortgage, spread over only three years, could cost him more than other ways to borrow, and that the loan would come due when he moves. He decides to compare a HELOC and local home repair programs instead.

A reverse mortgage wasn't the right fit for him, and that's a fine answer.

Do and don't

My advice:

Do

- **Do** read the downsides with your family before you meet anyone about a loan.
- **Do** plan for a long life, and think about whether you'll still be able to pay taxes, insurance and repairs at 85 or 90.
- **Do** ask for every cost in writing and compare at least one other option.
- **Do** tell your counselor about anyone else who lives with you.

Don’t

- **Don't** sign if you may move in a few years without seeing what the costs come to over that time.
- **Don't** let anyone rush you, or tie the loan to an annuity, investment, insurance policy or home repair deal.
- **Don't** count on the home going to your children as-is. They'll have to pay off the loan to keep it.

Questions families ask

What is the biggest downside of a reverse mortgage?

For most families, it's that the balance keeps growing. Interest, mortgage insurance and fees are added every month, so the equity left for you and your heirs shrinks over time. The second is that you must keep paying taxes, insurance and upkeep for as long as you have the loan, or it can come due.

Are reverse mortgages a scam?

No. A reverse mortgage is a legal loan with strong rules, including independent counseling and, in California, a 7-day wait before any final application or fee. But scams do grow up around them.

The FTC warns about high-pressure sales, contractors who pitch a reverse mortgage to pay for repairs, and anyone pushing you to buy an annuity or investment with the money. If someone rushes you, walk away.

Is a reverse mortgage a good idea if you have no heirs?

It can remove one of the biggest downsides, since there's no one counting on the home's value. The other downsides still apply: the costs, the obligations, and the loan coming due if you move to a care home for more than 12 months in a row. Think about who will help you handle the home and the loan later on.

Can you outlive a reverse mortgage?

With the "tenure" payment option, a HECM pays monthly for as long as you live in the home as your main home and meet the loan terms. A lump sum or line of credit can be used up, though. And the loan comes due if you move out for good or don't keep up taxes, insurance and repairs.

Should my parents get a reverse mortgage?

It depends on whether they plan to stay, whether they can keep paying the home's bills, and what the family expects about inheritance. Family members are welcome at counseling, and a good first step is for everyone to read the downsides together. The decision is your parents' to make. If your parent already has one

Is a reverse mortgage a good idea for a short-term cash need?

Usually not. The CFPB says that if there's a good chance you'll sell in the next couple of years, a loan with lower upfront costs, like a HELOC, may make more sense than one with higher upfront costs, like a reverse mortgage.

From Tom: My goal, in his words: "make sure that the people that I do business with really understand what it is they're doing, and they're happy about it, and they make an honest, educated decision that it's what they want."

Sources (read November 3, 2026)

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- California Government Code 16190 (choosing a reverse mortgage makes postponed property taxes due): https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=16190
- 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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