naf Reverse

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Reverse mortgage fees and mortgage insurance (MIP), line by line

QUICK ANSWER

On a HECM, the annual mortgage insurance premium (MIP) equals 0.5% a year of your loan balance, charged monthly and added to what you owe. The upfront MIP is 2% of your home's value, up to HUD's limit. The lender's origination fee has a HUD cap of $6,000, and third-party closing costs can't be more than the lender actually paid. These are HUD's rules for every HECM, not a quote. I'll walk you through every line the way HUD writes the rules, so you can read a loan estimate and know which numbers are set by HUD and which you can question.

For a short overview first, read what a reverse mortgage really costs. This page goes deeper. I don't quote rates or tell anyone what they'll get here, because those depend on the day, the lender and your home.

Key points

- **Two kinds of mortgage insurance.** A one-time 2% upfront premium, and a yearly 0.5% premium on the balance. Both are set by HUD, not the lender.
- **The origination fee is capped,** and a lender may charge less. It's the main lender fee you can negotiate.
- **Third-party costs are pass-through.** HUD lets the lender charge only reasonable amounts, and no more than it actually paid.
- **No fee before counseling.** A HECM lender can't collect any fee until you've finished counseling, and in California you then wait 7 days.
- **Servicing is paid one of two ways:** built into the interest rate, or a flat monthly fee with a HUD maximum.
- **The balance grows.** Costs you pay from the loan, plus interest and yearly mortgage insurance, all add to what you owe. Property taxes, homeowners insurance, HOA dues and upkeep stay yours, even with no required monthly mortgage payment.

The upfront mortgage insurance premium (IMIP)

- **How much:** 2% of the maximum claim amount. The maximum claim amount is the lowest of your home's appraised value, the purchase price (if you're buying), or HUD's national limit ($1,249,125 for 2026).
- **It isn't based on how much cash you take.** Since HUD's Mortgagee Letter 2017-12 (FHA case numbers on or after Oct. 2, 2017), the 2% applies to all borrowers. Older articles describe a different structure that tied the premium to how much you drew in the first year. That's out of date.
- **How it's paid:** HUD says it must be paid in cash or financed from the loan. Most people finance it, which adds it to the balance from day one.
- **A lender may pay some or all of it.** HUD's handbook allows this. Ask each lender, in writing, whether it offers any credit toward this premium or other costs.
- **It's rarely refunded.** HUD refunds it only in narrow cases, such as a loan that's never insured, or an overpayment. Paying off the loan early doesn't bring it back.

- **Refinancing one HECM into another.** HUD gives credit for the upfront premium you already paid. In plain terms, the new upfront premium is the lesser of 2% of the new maximum claim amount, or 3% of the increase in the maximum claim amount minus the premium paid before. It can't go below zero, and there's no refund if the old premium was larger. See refinancing one HECM into another.

The yearly mortgage insurance premium (annual MIP)

- **How much:** 0.5% a year of the outstanding loan balance.
- **How it's charged:** One-twelfth of 0.5% is charged on the balance each month, starting from the closing date.
- **Where it goes:** The servicer pays it to FHA and adds it to your balance. It isn't a bill you pay each month.
- **Why it grows:** It's charged on a balance that keeps rising, so the dollar amount goes up over time.
- **Can it change?** HUD's rule lets HUD adjust premiums by notice. Your loan papers show the rate for your loan.

Because it's figured on a balance that keeps rising, the dollar amount of yearly mortgage insurance goes up each year, on top of interest.

What the insurance does. It pays for FHA insurance, which protects the lender, not you. It's also what makes a HECM non-recourse: you and your heirs never owe more than the home is worth when the loan is repaid. New American Funding is not acting for HUD, FHA or any government agency.

The origination fee

HUD's rule for every HECM (24 CFR 206.31) sets the cap. These are HUD's legal limits for every HECM, not a quote or an offer. Your lender may charge less. Ask each lender for its fees in writing.

- **The greater of $2,500, or** 2% of the first $200,000 of the maximum claim amount plus 1% of the amount above $200,000.
- **Never more than $6,000.** A lender may charge less.
- **It can be fully financed** from the loan.

- **Some costs must come out of it,** not be billed to you separately: the automated valuation the lender orders before counseling, fees for a sponsored loan originator, and online delivery of payoffs and closing papers.

Third-party closing costs, item by item

HUD's handbook lists what may be charged. The general rule: reasonable and customary amounts for the area, and no more than the lender actually paid.

Item	HUD's rule
Appraisal and inspection	Reasonable and customary, not more than the lender paid. A required second appraisal can be financed.
Credit report	The actual cost of a merged report from three credit bureaus
Title exam and title insurance	Title insurance must be at least equal to the maximum claim amount. You may pay for it.
Recording fees	Customary or required recording fees on the first and second mortgages. The second mortgage, which is in HUD's name, isn't subject to state or local recording or stamp taxes.
Flood certification	Actual cost
Tax service fee	To verify your property tax history and current taxes, not more than the lender paid
Survey	Only if the lender or you require one. FHA doesn't require a survey.
Document preparation	Only if done by a third party the lender doesn't control. No fee if the lender does it.
Settlement (closing) fee	Only if the closing agent isn't the lender's employee
Attorney's fees	Limits apply if the attorney is the lender's employee or routinely gets the lender's referrals and issues the title policy
Courier	Only at your request, with a written agreement before closing
Tests required by FHA	Such as well water, septic or pest testing, if needed

Item	HUD's rule
Repair administration fee	If repairs are finished after closing: a fee HUD caps, added to the balance; ask for the amount in writing
Counseling	Set by the agency. HUD says no one may be turned away for inability to pay, and the fee may be paid at closing if disclosed.

Before you've finished counseling, a HECM lender may take your application, give disclosures and order a credit report, preliminary title search and automated valuation, but may not collect any fee or your bank or card details. If the loan closes, only the credit report and title search may be charged, at closing.

If it doesn't close, you can't be charged for them. California law adds a 7-day wait after counseling before a final application or any fee, for any reverse mortgage.

Servicing: in the rate, or a flat fee

The servicer sends statements, makes any payments to you, and pays any set-aside bills. HUD allows two ways to pay for it:

1. **Built into the interest rate.** No separate fee.
2. **A flat monthly fee.** HUD's maximum for every HECM (not a quote) is $30 a month on a fixed-rate or annually adjusting loan, and $35 a month on a monthly adjusting loan. If a lender charges this, it must hold back a servicing fee set-aside at closing, sized for the youngest borrower's life expectancy. The set-aside isn't money you get, and it lowers what you can draw.

Ask which way each lender does it.

Money held back that isn't a fee

These aren't charges, but they lower the money available to you:

- **A set-aside for property taxes and insurance (LESA),** if the Financial Assessment requires one or you choose one. See how a set-aside works.
- **A repair set-aside** of 150% of the estimated cost of repairs the appraisal requires after closing.

- **The first-year limit** on how much you can draw. See how much you can get.

Charges after closing

HUD's rule (24 CFR 206.207) lets a servicer add only certain reasonable charges to your balance after the loan is insured, such as costs from a foreclosure referral that's stopped because you caught up, a deed of trust trustee's fee at payoff where allowed, and property preservation costs.

HUD's rule doesn't allow charges for the servicer's own servicing work beyond the servicing charge above, tax service fees, or most payoff and reconveyance fees. Ask the servicer to explain any charge in writing. There's no prepayment penalty when you pay off early.

Reading your estimate

Here's what I'd check first:

- **HUD requires the lender to tell you which charges are required** to get the loan and which aren't (24 CFR 206.43).
- **Look at the Total Annual Loan Cost (TALC) disclosure.** Federal rules require it for reverse mortgages. It shows how the yearly cost changes depending on how long you keep the loan.
- **Separate HUD's numbers from the lender's.** Mortgage insurance is set by HUD. The origination fee, any servicing fee, the interest rate and any lender credit are the lender's choices.

From Tom: People tell me reverse mortgages are very expensive. My answer is that they "don't have to be." But every cost on this page is real, and you should see each one in writing before you decide.

Made-up example: *A made-up example. Leon is not a real person, and this isn't a quote.* Leon, 69, lives in West Covina. He gets two written estimates on the same day. He lines them up item by item.

The upfront mortgage insurance is the same on both: 2% of his maximum claim amount, set by HUD. One lender charges the full origination fee cap; the other charges less.

One builds servicing into the rate; the other adds a flat monthly fee with a set-aside that lowers the money he could draw. The title, appraisal and recording charges are close. Leon asks each lender which charges are required and whether any credit is offered, then reviews both with his counselor.

He knows the balance will grow with interest and the 0.5% yearly mortgage insurance, and that his property taxes, insurance and upkeep stay his.

Private (proprietary) reverse mortgages aren't FHA-insured and set their own costs. They may have no FHA mortgage insurance, but their rates and other costs differ. Ask for every loan's costs in writing.

Do and don't

My advice: get it in writing.

Do

- **Do** get written estimates from at least two lenders on the same day.
- **Do** ask whether servicing is in the rate or a monthly fee with a set-aside.
- **Do** ask whether the lender will reduce the origination fee or offer a credit.
- **Do** ask a tax professional about taxes. Loan advances are generally not taxable income.

Don’t

- **Don't** pay any fee before counseling and California's 7-day wait.
- **Don't** pay anyone a fee to find or arrange the loan. See myths and scams.
- **Don't** buy an annuity, insurance or investment with the money. No one involved in the loan can require it.

Questions families ask

What does the annual MIP on a reverse mortgage equal?

On a HECM, 0.5% a year of the outstanding loan balance, charged monthly (one-twelfth of 0.5%) from closing and added to the balance. Because the balance grows, the dollar amount grows too.

What fees come with a reverse mortgage?

For a HECM: 2% upfront mortgage insurance, 0.5% yearly mortgage insurance, an origination fee HUD caps at $6,000 (a lender may charge less), third-party closing costs, interest, and possibly a monthly servicing fee, which HUD caps at $30 or $35 for every HECM (not a quote).

Counseling may have a fee, but no one can be turned away for inability to pay.

Why is there mortgage insurance on a reverse mortgage, like an FHA loan?

A HECM is FHA-insured. The premiums pay for insurance that protects the lender and makes the loan non-recourse, so neither you nor your heirs owe more than the home is worth.

Can the lender pay my mortgage insurance or closing costs?

HUD allows a lender to pay part or all of the upfront premium, and lenders may charge less than the origination fee cap. Whether a lender offers that depends on the loan and the day. Ask for it in writing.

What fees can a reverse mortgage servicer charge?

Only what HUD allows: the servicing charge in the rate or a flat fee up to HUD's maximum, plus certain reasonable charges after closing, like a stopped foreclosure's legal costs. Ask for any charge to be explained in writing. If you can't resolve it, you can file a complaint with the CFPB.

What is the average fee for a reverse mortgage?

I won't give an average, because costs depend on your home's value, the lender and the day. What's fixed is HUD's formula: 2% upfront mortgage insurance on the maximum claim amount, 0.5% a year after, and an origination fee cap of $6,000.

Sources (read November 3, 2026)

- HUD Handbook 4000.1, Update 18, last revised Aug. 12, 2026, Part II.B (upfront premium 2% of the maximum claim amount, paid in cash or financed, lender may pay it; annual premium 0.50% of the balance from closing; refunds; HECM-to-HECM premium credit formula; fees allowed before counseling; third-party fees; origination fee; servicing fee maximums and set-aside): 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)
- HUD Mortgagee Letter 2017-12 (2% upfront premium no longer tied to first-year draws; 0.5% annual; case numbers on or after Oct. 2, 2017): https://www.hud.gov/sites/documents/17-12ml.pdf
- 24 CFR Part 206: 206.3 (maximum claim amount), 206.31 (origination fee cap; reasonable and customary closing costs; repair fee), 206.43 (disclose which charges are required), 206.47 (repair set-aside), 206.105 (mortgage insurance; HUD may adjust by notice), 206.207 (charges after endorsement; servicing charges), 206.209 (no prepayment penalty), eCFR: https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206
- HUD news release No. 25-145 (2026 HECM limit $1,249,125): https://www.hud.gov/news/hud-no-25-145
- HUD Mortgagee Letter 2011-09 (counseling fees; no one turned away): https://www.hud.gov/sites/documents/11-09ml.pdf
- 12 CFR 1026.33 (Regulation Z, reverse mortgage TALC disclosure): https://www.ecfr.gov/current/title-12/chapter-X/part-1026/subpart-E/section-1026.33
- CFPB, "How much does a reverse mortgage loan cost?": https://www.consumerfinance.gov/ask-cfpb/what-fees-and-costs-will-i-pay-for-a-reverse-mortgage-en-237/
- CFPB, submit a complaint: https://www.consumerfinance.gov/complaint/
- California Civil Code 1923.2 (counseling, 7-day wait, no required product purchase): 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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