naf Reverse

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The types of reverse mortgages, explained with examples

QUICK ANSWER

Here's the short version. There are three main kinds of reverse mortgage: the FHA-insured HECM, private (proprietary) loans, and single-purpose loans from some government agencies and nonprofits. The HECM can be used several ways, including to pay off the mortgage you have or to buy your next home, so in practice homeowners choose among the six options below.

Key points

- **The HECM is the most common.** It's FHA-insured, for homeowners 62 and older, and the money can be used for anything.
- **Private loans fill the gaps.** Proprietary reverse mortgages can suit higher-value homes, and some start at 55 in California.
- **Single-purpose loans cost less, but are narrow.** The FTC calls them the least expensive kind. They're offered by some government agencies and nonprofits, for one use only, such as repairs or property taxes.
- **The bills stay yours with every type.** No monthly mortgage payment is required on a reverse mortgage, but you still pay property taxes, homeowners insurance, HOA dues and upkeep.
- **Every type is a loan.** The balance grows over time, and the loan is repaid when the last borrower dies, sells, moves out, or doesn't meet the loan terms.

The six options at a glance

Think of it this way: the type of loan decides who it fits, so start here.

Type	Minimum age	Insured by FHA	Used for
HECM	62	Yes (the insurance protects the lender)	Using home equity for any purpose
HECM refinance	62	Yes	Paying off the mortgage you have now
HECM for Purchase	62	Yes	Buying your next home
Proprietary (jumbo), such as HomeSafe	Set by the lender (55 for some in California)	No	Higher-value homes; HomeSafe pays off any existing mortgage
HomeSafe Second	55 in California	No	Keeping your first mortgage in place
Single-purpose	Set by the program	No	One use, such as repairs or property taxes

With every type, you keep living in the home as your main home and keep paying property taxes, homeowners insurance, HOA dues and upkeep. New American Funding is not acting for HUD, FHA or any government agency.

1. HECM: the FHA-insured reverse mortgage

The Home Equity Conversion Mortgage is the most common reverse mortgage. It's insured by the FHA, but that insurance protects the lender, not you. It's for homeowners 62 and older, and you can use the money for any purpose. Before you apply, you meet with an independent HUD-approved counselor.

How you can take the money (HUD's payment options):

- **A single lump sum** at closing (only with a fixed interest rate).
- **A line of credit** you draw from when you choose.
- **Equal monthly payments for a set number of months** (called term).
- **Equal monthly payments for as long as you live in the home and meet the loan terms** (called tenure).
- **A mix** of monthly payments and a line of credit.

Made-up example: Ruthie, 74, owns her home in Walnut free and clear. She doesn't need a big check, but she'd like a cushion for home repairs and medical bills. She picks a line of credit and draws only when a bill comes.

She keeps paying her property taxes, insurance and upkeep, and the balance grows on what she draws, plus interest, mortgage insurance and any costs paid from the loan. Read how it works in California.

2. HECM refinance: replace the mortgage you have

A HECM can pay off your current mortgage at closing. After that there's no required monthly mortgage payment, though property taxes, insurance, HOA dues and upkeep stay yours. It only works if the new loan is large enough to pay off what you owe, plus closing costs and any set-aside for taxes and insurance.

Made-up example: Ed and Carmen, 68 and 70, still owe on their Diamond Bar home, and the monthly payment strains their retirement income. A HECM would pay it off. Because Ed had some late tax payments a few years ago, the lender may require a set-aside, which lowers what they can borrow.

They ask for the numbers in writing and meet a counselor before deciding. Refinancing into a reverse mortgage · How a set-aside works

3. HECM for Purchase: buy your next home

A HECM can also be used to buy a home you'll live in as your main home. You pay part of the price yourself at closing, and the reverse mortgage covers the rest, so there's no required monthly mortgage payment on the new home.

Property taxes, insurance, HOA dues and upkeep are still yours. I can offer it through New American Funding.

Made-up example: Lou, 71, wants to move from a two-story house to a single-story home closer to his daughter. He sells his house and uses part of the proceeds as his share of the new home's price, and a HECM for Purchase covers the rest. He keeps paying the new home's taxes, insurance and HOA dues.

4. Proprietary (jumbo) reverse mortgages

Private lenders offer their own reverse mortgages, sometimes called jumbo reverse mortgages. They aren't FHA-insured and aren't HECMs, even though they work in a similar way, so the rules, ages and loan amounts are set by each lender. The FTC notes they may have a higher interest rate. California's counseling requirement and 7-day wait still apply.

One example is **HomeSafe**: it's designed for higher-value homes, starts at age 55, has its own minimum and maximum loan amounts (ask for them in writing), pays off any existing mortgage, has no mortgage insurance premiums, and can be taken as a lump sum or a line of credit.

You still pay property taxes, homeowners insurance, HOA dues and upkeep, and the balance grows over time. I can offer HomeSafe through New American Funding too. Private loans' ages, loan amounts and costs differ, so ask for the terms in writing.

Made-up example: Diane, 77, owns a home worth well above the amount a HECM counts ($1,249,125 for FHA case numbers assigned in 2026) and still has a small mortgage.

She compares a HECM with a private reverse mortgage like HomeSafe, which is designed for higher-value homes (the FTC says that may mean more money) and pays off her mortgage. She asks both lenders for costs and rates in writing, and has a counselor walk her through the difference.

5. HomeSafe Second: a reverse second mortgage

HomeSafe Second sits behind the mortgage you already have instead of paying it off. It's for homeowners 55 and older in California. No monthly mortgage payment is required on it, but you keep paying your first mortgage, property taxes, insurance, HOA dues and upkeep.

It's a proprietary loan, not a HECM. It's one of the reverse mortgages I can offer through New American Funding.

Made-up example: Lorraine, 59, has a first mortgage she doesn't want to give up and needs money for a new roof. She's too young for a HECM and doesn't want a new monthly payment. HomeSafe Second leaves her first mortgage in place and adds a second loan that grows over time. How HomeSafe Second works

6. Single-purpose reverse mortgages

Some state and local government agencies and nonprofits offer single-purpose reverse mortgages. According to the FTC, they're the least expensive kind, but you can use the money only for what the program allows, such as home repairs or property taxes, and many are for homeowners with modest incomes.

Your local Area Agency on Aging may know what's offered nearby; the national Eldercare Locator is 1-800-677-1116.

Made-up example: Grace, 80, needs a new water heater and a wheelchair ramp, and she doesn't want a large loan. She calls her local aging services office to ask about repair loan programs before looking at a HECM.

If there's no program near her, a small HECM line of credit is another option to compare. In California, the state's Property Tax Postponement program works a little like this for property taxes, but it doesn't mix with a reverse mortgage.

Do and don't

My advice:

Do

- **Do** ask which type a lender is offering you, and why that one.
- **Do** compare at least two types side by side, with costs in writing.
- **Do** ask about single-purpose programs first if you only need help with one bill.

Don’t

- **Don't** assume every reverse mortgage follows HUD's rules. Private loans set their own terms.
- **Don't** choose a type by the amount alone. The balance grows, and that affects you and your heirs.

Questions families ask

What are the three types of reverse mortgage?

The FTC lists three: the FHA-insured HECM, proprietary (private) reverse mortgages, and single-purpose reverse mortgages from some government agencies and nonprofits. A HECM can also be used to refinance a mortgage or buy a home.

Which type is the most common?

The HECM. It's FHA-insured, and the money can be used for any purpose.

Is a proprietary reverse mortgage a kind of HECM?

No. HECM is the name of HUD's FHA-insured program. Proprietary (private) reverse mortgages work in a similar way but have their own rules, and the companies that offer them say they are not part of the HECM program.

Can I get a reverse mortgage before 62?

Not a HECM. Some private reverse mortgages start at 55 in California, including HomeSafe and HomeSafe Second.

Do I need counseling for every type?

In California, the law requires independent counseling and a 7-day wait before a final application or fee on any reverse mortgage, not just HECMs.

Sources (read November 2 to 3, 2026)

- FTC, "Reverse Mortgages" (the three types; single-purpose loans; proprietary loans may have a higher rate; Eldercare Locator 1-800-677-1116): https://consumer.ftc.gov/articles/reverse-mortgages
- 24 CFR 206.19, HECM payment options (term, tenure, line of credit, modified term or tenure, single lump sum for fixed-rate loans), and 206.25 (mandatory obligations, including purchase transactions): 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
- California Civil Code 1923 and 1923.2 (any reverse mortgage; counseling and the 7-day wait): https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CIV&sectionNum=1923.2



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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