naf Reverse

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How you can receive the money: lump sum, monthly payments or a line of credit

QUICK ANSWER

Here's the short version. With a HECM, you choose how to receive your money: one lump sum at closing, equal monthly payments for a set number of months or for as long as you live in the home and meet the loan terms, a line of credit you draw from when you need it, or a mix of monthly payments and a line of credit. The choice affects how fast your balance grows, so it's worth matching it to what you actually need.

Key points

- **Five ways to receive it.** A lump sum, monthly payments for a set time, monthly payments for as long as you live there and meet the loan terms, a line of credit, or a mix.
- **A lump sum means a fixed rate.** HUD allows the single lump sum only on fixed-rate HECMs; the other options use an adjustable rate.
- **An unused line of credit grows.** On an adjustable-rate HECM, the amount you can borrow grows each month, so money you leave in the line gives you more room later.
- **You can change your mind later.** After the first year, you can usually switch options on an adjustable-rate HECM, though a fee may apply.
- **The bills stay yours with every option.** You still pay property taxes, homeowners insurance, HOA dues and upkeep, and the balance grows on what you take, plus interest and mortgage insurance.

The five options at a glance

Option	How it works	Often fits someone who
Lump sum	All your money at closing, in one payment (fixed rate only)	Needs a large amount now, such as paying off a mortgage
Line of credit	Draw what you want, when you want, up to your limit	Wants a cushion for repairs, medical bills or surprises
Monthly payments for a set time (term)	Equal payments for a number of months you choose	Needs help bridging a set period, such as until a pension starts
Monthly, for as long as you live there (tenure)	Equal payments for as long as you live in the home and meet the loan terms	Wants a steady monthly amount
A mix (modified term or tenure)	Monthly payments plus a line of credit	Wants a steady monthly amount and a cushion

On an adjustable-rate HECM, HUD limits how much you can take during the first year, and the amounts depend on the youngest borrower's age, your home's value and interest rates. New American Funding is not acting for HUD, FHA or any government agency.

1. Lump sum

You receive all the money available to you at closing, in one payment. HUD allows this only on a fixed-rate HECM, and you can't draw more later. Because you take everything at once, interest is charged on the whole amount from the start, so the balance grows fastest with this option.

Made-up example: Ray, 72, owes on a mortgage he'd like to be done with. He uses a lump sum to pay it off at closing. He has no required monthly mortgage payment after that, but he keeps paying his property taxes, insurance and upkeep, and he knows his balance will grow each year.

2. Line of credit

You draw money when you need it, in the amounts you choose, up to your limit. Interest and mortgage insurance are charged only on what you've drawn, plus any costs added to the loan at closing.

On an adjustable-rate HECM, the amount you can borrow grows each month (at the loan's interest rate plus the mortgage insurance rate), so any money you leave in the line becomes more room to borrow later.

That growth isn't income or interest paid to you: anything you draw is added to your balance.

Made-up example: Ruthie, 74, doesn't need money today, but she wants to know it's there for a new roof or medical bills. She opens a line of credit and draws only when a bill comes.

The part she hasn't used grows over time, giving her more room if a bigger need comes up later. She keeps paying her property taxes, insurance, HOA dues and upkeep.

3. Monthly payments for a set time (term)

You receive equal monthly payments for a number of months you choose. When the term ends, the payments stop, but you can keep living in the home as long as you meet the loan terms.

Made-up example: Hector, 63, retired early and his pension doesn't begin for a few years. He picks monthly payments for that stretch to cover the gap. When his pension starts, the payments stop. He keeps living in his home as long as he meets the loan terms, paying his property taxes, insurance, HOA dues and upkeep.

4. Monthly payments for as long as you live there (tenure)

You receive equal monthly payments for as long as at least one borrower lives in the home as their main home and meets the loan terms. The payments stop if the loan becomes due, for example if you move out for good or don't keep up taxes and insurance.

Made-up example: June, 79, lives on Social Security and wants a steady extra amount each month for groceries and her medications. She chooses payments for as long as she lives in her home. She keeps paying her property taxes and insurance so the payments continue.

5. A mix of monthly payments and a line of credit

HUD calls these modified term or modified tenure. You receive monthly payments, and part of your money is held in a line of credit for anything unexpected.

Made-up example: Paul and Ann, 70 and 68, want a steady monthly amount and a cushion for car repairs or a trip to see the grandkids. They choose monthly payments plus a line of credit, and they draw from the line only when something comes up. They keep paying their property taxes, insurance, HOA dues and upkeep.

Can I change my mind later?

This is a fair question, so here's the plain answer.

Usually, yes, on an adjustable-rate HECM. After the first 12 months, you can ask to change from one option to another, or to recalculate your payments, as long as your balance is below your limit. The lender may charge a fee for the change, set within HUD's limits.

A fixed-rate lump sum can't be changed, because everything was paid out at closing.

Private loans work a little differently

Private (proprietary) reverse mortgages set their own options. HomeSafe, for example, offers a lump sum or a line of credit. HomeSafe Second offers a lump sum or a line of credit that you draw from in stages, but money you repay on that line can't be drawn again.

Ask the lender exactly how its options work. See the types of reverse mortgages.

Do and don't

My advice:

Do

- **Do** pick the option that matches your real need, not the largest amount.
- **Do** ask how each option changes your balance over 5 and 10 years, in writing.
- **Do** consider a line of credit if you mainly want a safety net.

Don’t

- **Don't** take a lump sum just because it's available; interest builds on all of it from day one.
- **Don't** forget the bills: with every option, you still pay property taxes, insurance, HOA dues and upkeep.
- **Don't** let anyone steer you to use the money for an annuity or investment; nobody involved in the loan can require it.

Questions families ask

Which option is right for me?

It depends on what you need the money for. People paying off a mortgage often take more at closing; people who want a safety net often choose a line of credit. A counselor can walk you through how each one plays out for you.

Does the line of credit really grow?

On an adjustable-rate HECM, yes: the amount you can borrow grows each month at the loan's interest rate plus the mortgage insurance rate. It's room to borrow more later, not money paid to you.

Do monthly payments stop if I go into care?

They can. If you're away more than 12 months in a row because of illness and no other borrower lives there, the loan can become due, and payments stop. See moving into care.

Can I take a lump sum and a line of credit together?

Not with a fixed-rate HECM, which is a single lump sum. With an adjustable-rate HECM, you can take some money at closing (within HUD's first-year limit) and keep the rest in a line of credit.

Sources (read November 2 to 3, 2026)

- 24 CFR 206.19, payment options (term, tenure, line of credit, modified term and tenure; single lump sum only for fixed-rate HECMs): https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206
- 24 CFR 206.3, principal limit grows each month by one-twelfth of the interest rate plus one-twelfth of the annual mortgage insurance rate: same link
- 24 CFR 206.25, first-year disbursement limit and lump sum taken only at closing: same link
- 24 CFR 206.26, changing payment options after the first 12 months, possible fee: same link
- 24 CFR 206.27(c), when the loan becomes due: same link



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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