naf Reverse

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What a reverse mortgage really costs

QUICK ANSWER

The costs are real, so here's the short version. A reverse mortgage (HECM) has upfront costs and ongoing costs. Upfront, you pay an FHA mortgage insurance premium of 2% of the home's value (up to HUD's limit), a lender origination fee that HUD caps at $6,000 for every HECM (a ceiling, not a quote; a lender may charge less), and third-party closing costs. Over time, interest and a yearly 0.5% mortgage insurance charge are added to what you owe, and you can pay the upfront costs from the loan itself, so the balance grows from day one.

Key points

- **Upfront mortgage insurance is 2%** of the maximum claim amount, which is your home's appraised value or HUD's limit, whichever is less.
- **The lender's origination fee has a HUD cap.** HUD's legal maximum for every HECM is $6,000 (24 CFR 206.31). It's a ceiling, not a price, and a lender may charge less.
- **Closing costs come on top.** Appraisal, title, recording and similar third-party charges.
- **Ongoing costs are added to the balance.** Interest and the 0.5% yearly mortgage insurance are charged on what you owe, so the balance grows faster over time.
- **Most costs are paid from the loan.** That means less cash out of pocket today, but less money available to you and a bigger balance later.
- **The bills stay yours.** There's no required monthly mortgage payment, but property taxes, homeowners insurance, HOA dues and upkeep are still yours to pay.

The costs at a glance

These are HUD's rules for HECMs. Private (proprietary) reverse mortgages, such as HomeSafe, set their own costs. For example, HomeSafe's product page says it has no mortgage insurance premiums, but its interest rate and other costs differ. Ask for every loan's costs in writing.

Cost	How much	When	Who gets it
Upfront mortgage insurance (initial MIP)	2% of the maximum claim amount	At closing	FHA
Yearly mortgage insurance (annual MIP)	0.5% a year of the loan balance, added as it accrues	Every month, for the life of the loan	FHA
Origination fee	Up to 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. HUD's limit for every HECM (24 CFR 206.31), not a quote.	At closing	The lender
Third-party closing costs	"Reasonable and customary" amounts, no more than the lender actually paid: recording, credit report, survey if required, title exam, lender's title insurance, appraisal, flood certification	At closing	The companies doing the work
Counseling fee	Set by the counseling agency. HUD says no one may be turned away because they can't pay.	Before you apply, or at closing if disclosed	The counseling agency
Interest	Depends on the rate you choose, fixed or adjustable	Added to the balance every month	The lender
Servicing	Either built into the interest rate, or a fixed monthly fee paid from money set aside at closing	Every month	The lender or servicer
Repairs required after closing (if any)	A repair fee that HUD caps; ask for the amount in writing	When repairs are done	The lender

The maximum claim amount is the lowest of three numbers: the home's appraised value, the price if you're buying, or HUD's national limit. For 2026, HUD's limit is $1,249,125. So the upfront mortgage insurance and the origination fee cap are both figured from your home's value, up to that limit, not from how much cash you take.

Mortgage insurance: what it pays for

The 2% upfront and 0.5% yearly premiums pay for FHA insurance. That insurance protects the lender, not you. It's what lets the loan be **non-recourse**: you and your heirs never owe more than the home is worth when the loan is repaid, and FHA covers the lender's shortfall. New American Funding is not acting for HUD, FHA or any government agency.

The origination fee

HUD's rule (24 CFR 206.31) sets a legal maximum for every HECM, based on the home's value. It's a ceiling, not a price: the lender may charge less, so ask each lender for its fee in writing and compare.

Interest, and why the balance grows

Here's how I explain it. With a regular mortgage, your payments shrink the balance. With a reverse mortgage, there's no required monthly mortgage payment (property taxes, homeowners insurance, HOA dues and upkeep stay yours), so the interest and yearly mortgage insurance are added to the balance instead.

Next month, interest is charged on that bigger balance. That's compounding, and it's why the balance grows faster the longer you have the loan.

A few things help:

- **You're charged only on what you owe.** With a line of credit, money you haven't drawn isn't part of the balance. See the ways to receive the money.
- **You can pay some or all of it back any time, with no prepayment penalty.** HUD's rule allows this.

- **Fixed or adjustable.** A fixed rate comes only with a single lump sum at closing. An adjustable rate allows a line of credit or monthly payments, and the rate can change.

I don't quote rates on this site. Rates change, and the right comparison is two lenders' written offers on the same day. Get it in writing.

Made-up example: Linh, 72, lives in Rowland Heights. *Linh is not a real person, and this is not a quote.*

Linh's upfront costs come in three parts: the upfront mortgage insurance (HUD sets it at 2% of her home's appraised value, up to HUD's limit), the lender's origination fee (HUD sets a legal maximum, and her lender may charge less), and third-party closing costs such as the appraisal, title and recording.

She pays them from the loan, so they become part of her starting balance. Any money she draws at closing is added on top.

From there, the balance grows every month. Interest and the yearly mortgage insurance are charged on Linh's whole balance and added to it. The next month, they're charged on that larger amount, including the interest already added. That's interest on interest, so the balance grows a little faster each year.

Remember that the costs are part of her balance, not cash in her hands. Before she commits, Linh's lender must give her a Total Annual Loan Cost (TALC) disclosure that shows the projected cost over different time frames at her real rate.

That's the place to see real numbers. Linh still pays her property taxes, homeowners insurance, HOA dues and upkeep the whole time.

How the costs are paid

You can pay the upfront costs from the loan instead of out of pocket. HUD's rule allows the origination fee to be fully financed, and the CFPB notes you can pay upfront costs with loan proceeds. That has two effects:

- **Less money for you.** Costs paid from the loan come out of what you can borrow.

- **A bigger balance from the start,** which then grows with interest and mortgage insurance.

When the loan is repaid, usually when the home is sold, the whole balance, including those costs and all the interest, is paid from the home. Whatever equity is left belongs to you or your heirs.

How to compare costs

- **Get each lender's costs in writing,** item by item, on the same day.
- **Look at the Total Annual Loan Cost (TALC) table.** Federal rules require lenders to give it for reverse mortgages. It shows the projected yearly cost of the loan over different time frames, so you can see how short-term use costs more per year than long-term use.
- **Ask what's negotiable.** The origination fee can be lower than the cap. Mortgage insurance is set by HUD.
- **Ask whether there's a monthly servicing fee** or whether servicing is built into the rate.
- **Ask your counselor** to walk you through the numbers. In California, you must meet with an independent counselor and then wait 7 days before a final application or any fee.

From Tom: People sometimes tell Tom reverse mortgages are "very expensive." His answer: "they don't have to be." The costs above are real, so ask for an itemized estimate, ask which fees can be lowered, and compare more than one lender.

Do and don't

My advice:

Do

- **Do** ask for every cost in writing, and compare at least two lenders.
- **Do** ask how much of the starting balance is costs versus money you'll actually receive.
- **Do** ask a tax professional about taxes. Loan advances are generally not taxable income, but your situation may differ.

Don’t

- **Don't** take more money at closing than you need. You're charged interest on what you take.
- **Don't** use the money to buy annuities or investments, and don't let anyone tie the loan to buying another product. California law doesn't allow a lender to require it.
- **Don't** judge a loan by the monthly figure alone. Look at how the balance grows over the years you expect to stay.

Questions families ask

How much does a reverse mortgage cost?

For a HECM: 2% of the maximum claim amount for upfront mortgage insurance, an origination fee HUD caps at $6,000 (a lender may charge less), and third-party closing costs, plus interest and 0.5% a year in mortgage insurance on the balance over time.

Your exact costs depend on your home's value, the lender and the rate. Ask for them in writing.

What are the origination and closing costs on a reverse mortgage?

The origination fee is the greater of $2,500 or 2% of the first $200,000 of the maximum claim amount plus 1% above that, capped at $6,000 under HUD's rule; a lender may charge less. Closing costs paid to others include the appraisal, title, recording and credit report.

Why is there mortgage insurance on a reverse mortgage?

It pays for FHA insurance, which protects the lender. Because of it, the loan is non-recourse: neither you nor your heirs owe more than the home is worth when the loan is repaid.

How does interest grow on a reverse mortgage?

Interest and yearly mortgage insurance are added to the balance each month, and the next month's interest is charged on the larger balance. So the balance grows faster each year. Paying some of it back, or drawing only what you need, slows that growth.

What ongoing fees come with a reverse mortgage?

Interest, the 0.5% yearly mortgage insurance, and possibly a monthly servicing fee if it isn't built into the rate. Property taxes, homeowners insurance, HOA dues and upkeep aren't loan fees, but you must keep paying them. See can you lose your home?

Are reverse mortgages more expensive than a regular mortgage?

The upfront costs are usually higher, mostly because of the 2% mortgage insurance. The trade-off is that there's no required monthly mortgage payment, though property taxes, insurance, HOA dues and upkeep stay yours. Whether that's worth it depends on how long you'll stay and what else you could do. See is a reverse mortgage a good idea? and the alternatives.

Sources (read November 3, 2026)

- 24 CFR 206.31 (origination fee cap; allowable closing costs; repair fee), 206.105 (mortgage insurance premiums), 206.207 (charges after closing; servicing charges), 206.209 (no prepayment penalty), 206.3 (maximum claim amount), 206.19 (payment options; fixed rate with lump sum), 206.27 (non-recourse), eCFR: https://www.ecfr.gov/current/title-24/subtitle-B/chapter-II/subchapter-B/part-206
- HUD Mortgagee Letter 2017-12 (initial MIP 2.00% of the maximum claim amount; annual MIP 0.50% of the balance; case numbers on or after Oct. 2, 2017): https://www.hud.gov/sites/documents/17-12ml.pdf
- HUD Mortgagee Letter 2011-09 (counseling fees; no one turned away for inability to pay): https://www.hud.gov/sites/documents/11-09ml.pdf
- HUD news release No. 25-145 (2026 HECM limit $1,249,125): https://www.hud.gov/news/hud-no-25-145
- CFPB, "How much does a reverse mortgage loan cost?" (reviewed May 28, 2024): https://www.consumerfinance.gov/ask-cfpb/what-fees-and-costs-will-i-pay-for-a-reverse-mortgage-en-237/
- 12 CFR 1026.33 (Regulation Z, reverse mortgage disclosures, total annual loan cost rates): https://www.ecfr.gov/current/title-12/chapter-X/part-1026/subpart-E/section-1026.33
- California Civil Code 1923.2(i) (no required annuity or other product purchase) and 1923.2(k) (counseling and the 7-day wait before a final application or any fee): 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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