RETIREMENT STRATEGY · CALIFORNIA

Reverse mortgages, *explained plainly.*

What a reverse mortgage actually is, who qualifies, how the money works, what it means for your family — and how to tell if it's genuinely the right fit. No sales pitch. Just the explanation Curt gives every client at the kitchen table, in writing.

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INTRODUCTION

Why this guide exists

Have you spent years building equity in your home, but find yourself looking for better cash flow in retirement? A reverse mortgage might be the answer — but it's also one of the most misunderstood products in lending. This guide walks through what a reverse mortgage actually is, who qualifies, how the money works, what it means for your family, and how to tell if it's genuinely the right fit for your situation.

> *Nothing here is a sales pitch. It's the same explanation Curt gives every client at the kitchen table, in writing.*

CHAPTER 1

What a Reverse Mortgage Actually Is

A reverse mortgage is a federally regulated loan that lets an eligible homeowner borrow against the equity they've built in their home. Unlike a traditional mortgage — where you pay the lender every month — with a reverse mortgage, **the lender pays you**: as a lump sum, a line of credit, monthly draws, or some combination of the three.

The balance is only repaid when you sell the home, permanently move out, or pass away.

The most common product is the **Home Equity Conversion Mortgage (HECM)**, insured by the FHA. For higher-value California properties above the federal HECM limit, **proprietary ("jumbo") reverse mortgages** can lend against values up to $4 million or more.

CHAPTER 2

Who Qualifies

- You generally need to be **62 or older** (some proprietary programs allow 55+ — confirm current availability with Curt).
- The home must be your **primary residence** — single-family, FHA-approved condo, townhouse, 2–4 unit where you occupy one, or a manufactured home meeting FHA standards.
- You need **substantial equity** — typically 50% or more.
- You must complete **HUD-approved reverse mortgage counseling** before the loan can be processed. This is federally required and exists to protect you.
- You'll need to demonstrate the ability to keep up with ongoing **property-charge obligations** — taxes, insurance, HOA dues, and maintenance.

CHAPTER 3

How You Receive the Money

The choice is yours. Depending on the program and your rate selection, you can take proceeds as:

- A **lump sum** at closing (fixed-rate HECM).
- A **growing line of credit** — often the most powerful option, because the unused portion grows each year at the loan's interest rate, giving you more access to funds the longer you wait.
- **Tenure payments** — fixed monthly payments for as long as you live in the home.
- **Term payments** — fixed monthly payments over a set number of years.
- A **modified** combination of a line of credit and monthly payments.

CHAPTER 4

HECM for Purchase — Buying With a Reverse Mortgage

One of the most underused tools in retirement planning. HECM for Purchase lets borrowers 62+ buy a new primary residence using a reverse mortgage — combining a meaningful down payment (typically 45–65% depending on age and rates) with reverse mortgage proceeds, and carrying **no required monthly mortgage payment** on the balance.

This is often how retirees right-size: selling a larger California home, downsizing into a single-story or age-appropriate property, and keeping more cash in the bank than a traditional purchase would allow.

CHAPTER 5

What Happens to Your Heirs

When the loan comes due — you sell, move permanently, or pass away — your heirs have options:

- **Sell the home** — pay off the reverse mortgage, keep any equity above the loan balance.
- **Keep the home** — pay off the reverse mortgage (refinance into a traditional loan or pay cash) for 95% of current appraised value or the loan balance, whichever is less.
- **Deed the home to the lender** — walk away with no further obligation, even if the loan exceeds the home's value.

> This last option is the **non-recourse** protection built into every HECM: heirs are never personally liable for any shortfall. The FHA insurance fund covers any gap — that's what the mortgage insurance premium pays for.

CHAPTER 6

What You're Still Responsible For

A reverse mortgage is not free money. You remain responsible for:

- Property taxes (California Proposition 13 protections continue to apply if you qualify)
- Homeowners insurance
- HOA dues, if applicable
- Reasonable maintenance of the home
- Continuing to live in the home as your primary residence (60+ consecutive days away can trigger default)

> If your financial assessment suggests risk around meeting these obligations, the lender may require a **Life Expectancy Set-Aside (LESA)** — funds held aside from your proceeds to cover taxes and insurance over time.

CHAPTER 7

Costs and What Affects How Much You Can Borrow

The amount you can borrow (your "principal limit") depends on the age of the youngest borrower, current interest rates, and the lesser of your home's appraised value or the HECM lending limit. Older borrowers and higher home values unlock more proceeds.

Closing costs mirror traditional loans — origination, title, escrow, appraisal, recording — plus the FHA upfront Mortgage Insurance Premium (2.0% of home value for HECMs). Most costs can be financed into the loan, meaning little to no out-of-pocket expense at closing.

CHAPTER 8

Financial Implications Worth Understanding

- **Interest accrues on the balance** — unlike a traditional loan you're paying down, your balance grows over time until settlement.
- **Taxes** — reverse mortgage proceeds are generally not taxable income, but interest is typically not deductible until actually paid (usually at payoff). Consult your tax advisor.
- **Means-tested benefits** — Social Security and Medicare are generally unaffected, but needs-based programs like Medi-Cal or SSI can be impacted if proceeds push you over resource limits. Plan distributions with that in mind.
- **Non-borrowing spouse protections** — current HUD rules protect an eligible non-borrowing spouse's right to remain in the home after the borrower passes, provided specific conditions are met at origination. Curt walks every couple through this.

CHAPTER 9

Is It Right for You?

Often a good fit if you plan to stay in your home long-term, want to eliminate an existing mortgage payment, need to supplement retirement income, want a growing line of credit as a safety net, or are trying to delay claiming Social Security.

Probably not a good fit if you plan to move within a few years, need a small amount of cash you could get more cheaply elsewhere, or are being pressured to take a reverse mortgage to fund an annuity or investment product.

> That last one is a red flag — **walk away.**

CHAPTER 10

Why Work With Curt

Reverse mortgages reward patience and expertise. Product selection, rate timing, payout structure, LESA decisions, non-borrowing spouse documentation — the details compound. Curt has originated reverse mortgages for California homeowners across every product generation and has seen every way a file can go sideways. He takes the time to compare HECM against proprietary jumbo programs when your property value warrants it, and he coordinates with your CPA and estate attorney when they're part of the conversation.

Ready to *run the numbers?*

We'll model HECM vs. jumbo reverse against your goals — no pressure, no obligation.

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BEFORE WE TALK

Your Questions

Jot down anything you want to cover — about your home, your timeline, your family, or anything in this guide that raised a question. Bring this page to our first conversation.

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