



GREGG PERRAH
PROPERTIES

A HOMEOWNER'S GUIDE TO THE HECM REVERSE MORTGAGE

Stay in the Home You Love. *Let Your Equity Work for You.*

*How homeowners 62 and older are turning home equity
into more freedom and peace of mind*

\$0

REQUIRED MONTHLY MORTGAGE PAYMENTS
WHILE YOU LIVE IN THE HOME

How it works • The real costs • 7 costly mistakes to avoid

Read This Before You Decide

Then call or text Gregg at 949.836.0333 for a free, no pressure conversation about your options

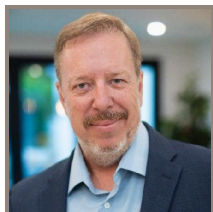


PREPARED BY

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Over 30 Years of Local Real Estate Knowledge and Expertise | www.GREGGPERRAH.COM

Why I Wrote This Guide



Gregg Perrah
Executive Real Estate
Advisor

Almost every week I sit at a kitchen table with a homeowner who has spent decades paying down the home they love. The house is worth far more than they ever imagined, yet the monthly budget feels tighter every year. Then comes the question: *"Gregg, what about one of those reverse mortgages?"*

It is a fair question, and an important one. Most people have heard something about reverse mortgages, but much of it is outdated, half right, or comes from a late night commercial. Some are afraid they will lose their home. Others think it is free money. Neither is true.

The truth is that a HECM reverse mortgage can be a wonderful tool for some homeowners, and the wrong fit for others. It depends on your goals, your home, your health, and your family.

I am not a lender, and I do not get paid on a reverse mortgage. My job is to help you see the whole picture, including how it fits with selling, staying, or buying your next home, and then connect you with a trusted reverse mortgage specialist if it makes sense.

Read it at your own pace. If questions come up, I am always happy to talk them through with you. No pressure, ever.

Gregg Perrah

Peace of mind starts with good information

Understanding how a reverse mortgage really works helps you and your family make a calm, confident decision, whatever you choose.

What You'll Find Here

Read it straight through, or jump to the section that fits where you are right now.

- 1 **Reverse Mortgages at a Glance**
What a HECM is and who qualifies
- 2 **The Biggest Benefits**
Why so many homeowners choose one
- 3 **How You Receive Your Money**
Lump sum, monthly payments or a line of credit
- 4 **How the Numbers Work**
A simple example and what sets your amount
- 5 **Understanding the Costs**
What you pay and how it is paid
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A simple, no pressure conversation

Please note: This guide is general education, not financial, tax or legal advice. Gregg Perrah is a real estate advisor, not a mortgage lender. Reverse mortgage terms, rates and limits change and depend on your situation. Always review your options with a HUD approved counselor, a licensed reverse mortgage professional and your own advisors.

Reverse Mortgages at a Glance

The most common reverse mortgage is the Home Equity Conversion Mortgage, or HECM, insured by the Federal Housing Administration (FHA).

A reverse mortgage lets you turn part of your home's equity into cash **without having to sell the home and without a required monthly mortgage payment**. Instead of you paying the lender each month, the loan balance grows over time.

You **keep the title** to your home. The loan is usually repaid when the last borrower sells, moves out for good, or passes away, most often from the sale of the home.

Who qualifies

Age 62 or older

The youngest borrower on the loan must be at least 62. A younger spouse may still be protected (see Section 7).

Your primary residence

You must live in the home most of the year. Vacation homes and rentals do not qualify.

Plenty of equity

You own the home outright or have paid it down a good amount. Any existing mortgage is paid off at closing.

Able to keep up the home

The lender confirms you can keep paying property taxes, homeowners insurance, HOA dues and upkeep.

The basic requirements

- ✓ You meet with a **HUD approved counselor** before you apply. It is required and it is there to protect you.
- ✓ The home is a single family home, a 2 to 4 unit home you live in, an **FHA approved condo** or a qualifying manufactured home.
- ✓ The home meets FHA property standards. Some repairs may be required.
- ✓ You are not behind on any federal debt, such as federal taxes or student loans.
- ✓ You pass a **financial assessment** showing you can cover ongoing property charges.

The Biggest Benefits

For the right homeowner, a HECM can mean more breathing room every month and more choices for the years ahead.

No monthly mortgage payment required

You can pay toward the loan if you want, but you do not have to. Paying off an existing mortgage can free up hundreds or thousands of dollars a month.

Stay in the home you love

Age in place near friends, family, doctors and the neighborhood you know, as long as you live there and meet the loan terms.

You keep ownership

Your name stays on the title. Any equity left when the home is sold belongs to you or your heirs.

Flexible ways to get your money

Choose a lump sum, monthly payments, a line of credit, or a combination that fits your plans.

A line of credit that can grow

The unused portion of a HECM line of credit grows over time, so more may be available to you later.

Built in protection

A HECM is a nonrecourse loan. You or your heirs will never owe more than the home is worth when it is sold.

Generally not taxable income

Loan proceeds are not income, so they generally are not taxed and do not affect Social Security or Medicare. Check with your tax advisor.

Use it your way

Home updates for safety, in home care, medical bills, travel, helping family, or simply a cushion for peace of mind.

Why this matters for so many families

Much of a long time homeowner's wealth is tied up in the house. A HECM is one way to put that wealth to work while you still enjoy living there.

Good to know: If you receive needs based benefits such as SSI or Medicaid, money you hold onto from a reverse mortgage can count as an asset. Talk with a benefits advisor first.

How You Receive Your Money

One of the best features of a HECM is choice. Your counselor and lender will help you match the option to your goals.

Option	How it works	Often a fit for
Lump sum	One payment at closing. This is the only option with a fixed interest rate.	Paying off a large mortgage or a one time need
Tenure payments	Equal monthly payments for as long as at least one borrower lives in the home.	Steady extra income for life in the home
Term payments	Larger equal monthly payments for a set number of years you choose.	Bridging a gap, such as until a pension starts
Line of credit	Draw what you need, when you need it. The unused balance can grow over time.	A safety net for future care or repairs
Combination	Mix a line of credit with tenure or term payments.	Income now plus a reserve for later

A few rules worth knowing

- ✓ The adjustable rate HECM offers the monthly payment and line of credit options. The fixed rate HECM is a single lump sum only.
- ✓ In the **first year**, the amount you can take is usually limited to about 60% of what you qualify for, unless more is needed to pay off your existing mortgage and required costs.
- ✓ With adjustable rate options, you can usually change how you receive your money later for a small fee.
- ✓ Interest and mortgage insurance are added to the balance each month, so the balance grows the more you use.

A popular strategy

Many homeowners open a line of credit early and leave it alone as a growing reserve for the future, rather than taking all the money at once.

How the Numbers Work

Here is a simplified example of a couple in their early 70s who still have a mortgage on the home they have owned for 25 years.

	Today	With a HECM
Home value	\$950,000	\$950,000
Existing mortgage balance	\$160,000	Paid off at closing
Monthly mortgage payment	\$1,450	\$0 required
Property taxes, insurance and upkeep	They pay	They still pay
Mortgage payments over a year	\$17,400	\$0

About \$17,400 a year back in their budget

Plus, any amount they qualify for beyond the mortgage payoff can sit in a line of credit for future needs.

What sets the amount you can receive?

- ✓ **Age.** The age of the youngest borrower, or of an eligible spouse who is not on the loan. The older you are, the more you can usually receive.
- ✓ **Interest rates.** Lower expected rates generally mean more money available.
- ✓ **Home value, up to a limit.** The lender uses the lower of your appraised value, the FHA limit, or the purchase price if you are buying. For 2026 the national HECM limit is **\$1,249,125**.
- ✓ **Mandatory obligations.** Any existing mortgage, liens and closing costs come out first.

Higher value homes: If your home is worth well above the FHA limit, some lenders offer private ("proprietary") reverse mortgages with higher limits. These are not FHA insured and the rules differ, so compare carefully.

This example is simplified for illustration only and is not a loan offer. Actual amounts depend on age, rates, home value, costs and lender guidelines at the time you apply.

Understanding the Costs

A HECM is not free money. It is a loan, and it has real costs. Most can be paid from the loan itself, but that leaves less for you.

Cost	What to expect
Upfront mortgage insurance	2% of the home value (up to the FHA limit), paid at closing
Annual mortgage insurance	0.5% of the loan balance each year, added to the balance
Origination fee	Set by the lender, capped by FHA at \$6,000
Third party closing costs	Appraisal, title, escrow, recording and similar fees
Interest	Added to your balance monthly. Rates can be fixed or adjustable
Servicing fee	Some loans include a small monthly servicing fee

What the mortgage insurance does for you

The FHA insurance is what makes the HECM's protections possible. It guarantees you will get your promised payments, and it covers the gap if the loan balance ever grows larger than the home's value, so you and your heirs are never stuck with that difference.

Your ongoing responsibilities

- ✓ Pay your **property taxes** and **homeowners insurance** on time (plus flood insurance and HOA dues if they apply).
- ✓ **Keep the home in good repair.**
- ✓ Live in the home as your **primary residence.**

Important: Falling behind on taxes or insurance can put the loan in default. If the financial assessment shows a concern, the lender may set aside part of your money to pay these bills for you, which many people find reassuring.

Buying Your Next Home with a HECM

Many people do not know a reverse mortgage can be used to buy a home. It is called a HECM for Purchase.

With a HECM for Purchase, you combine a down payment (often from the sale of your current home) with a reverse mortgage to buy your next home, **with no monthly mortgage payment required**. It can be a great way to move closer to family, onto one level, or into a home that fits this next chapter, while keeping more cash in the bank.

A simple illustration	Paying all cash	With a HECM for Purchase
Price of the new home	\$850,000	\$850,000
Cash used for the purchase	\$850,000	About \$425,000 plus costs
Monthly mortgage payment	None	None required
Cash kept in the bank	\$0	About \$425,000

Illustration only. The share a HECM covers depends on age, rates and costs at the time, and is often somewhere around 40% to 60% of the price.

How it works

- ✓ You must be 62 or older and **move in within 60 days** of closing as your primary residence.
- ✓ Your down payment comes from your own funds, such as the sale of your current home or savings.
- ✓ The new home must meet FHA standards. Newly built homes need a certificate of occupancy.
- ✓ Your agent, lender and escrow work together on one closing.

Pair it with Prop 19

Homeowners 55 and older in California may also be able to carry their low property tax base to the new home under Proposition 19. Used together, these two can make a move far more affordable. Ask Gregg for his free Prop 19 guide.

Your Family and Your Heirs

One of the biggest worries we hear is, "What happens to my kids?" Here is the plain answer.

When the loan comes due

The loan is due when the last borrower **passes away, sells the home, or moves out**. Moving into assisted living or another care setting for more than 12 months in a row counts as moving out. It can also come due if taxes, insurance or upkeep are not kept up.

Your heirs have choices

Sell the home

Pay off the loan from the sale and keep whatever equity is left. This is the most common path.

Keep the home

Pay off the loan with savings or a new mortgage. They never have to pay more than 95% of the home's appraised value.

Walk away

If the home is worth less than the loan, they can let it go. FHA insurance covers the difference. They owe nothing more.

Time to decide

Heirs generally have 30 days to respond and up to 6 months to sell or pay off, with possible extensions.

Protecting a younger spouse

If one spouse is under 62, they may be able to stay in the home after the borrowing spouse passes away, as long as they were married at closing, are named in the loan documents and keep living there as their home. Be sure both spouses understand this before closing.

Bring your family into the conversation

We always encourage including your adult children or a trusted family member in the counseling session and meetings. It avoids surprises and gives everyone peace of mind.

Your Step by Step Plan

A clear plan keeps the process simple and protects you and your family.

- 1 Ask your questions**
Start with a free, no pressure conversation about your goals: staying, moving, or buying your next home.
- 2 Compare your options**
Look at all the paths side by side, including selling, downsizing, a HECM for Purchase, or staying put.
- 3 Meet with a HUD approved counselor**
Required by law. An independent counselor explains costs, options and alternatives, often by phone.
- 4 Talk with a licensed reverse mortgage specialist**
Get an estimate of how much you could receive and a full breakdown of costs.
- 5 Apply and complete the financial assessment**
The lender reviews income, credit and your ability to keep up taxes and insurance.
- 6 Appraisal and any required repairs**
An FHA appraiser confirms the home value and condition.
- 7 Close, then take a few days to think**
After closing, a HECM to refinance your current home has a 3 business day right to cancel. Your money is available after that.

Take your time: A good reverse mortgage professional will never rush you. If anyone pressures you to decide quickly, or to use your money to buy an annuity or other investment, step back and get a second opinion.

Frequently Asked Questions

Q. Will the bank own my home?

No. You keep the title. The lender has a lien on the home, just like a regular mortgage.

Q. Can I lose my home?

You can stay as long as you live there, pay your taxes and insurance and keep up the home. Missing those is the main reason people get into trouble.

Q. Do I need good credit?

There is no minimum credit score set by FHA, but the lender reviews your credit and payment history as part of the financial assessment.

Q. Can I have a mortgage now?

Yes. Your existing mortgage is paid off with the HECM at closing. You need enough equity to cover it.

Q. Is the money taxed?

Loan proceeds are generally not considered income. Please confirm with your tax advisor.

Q. Will it affect Social Security or Medicare?

No. It may affect needs based programs like SSI or Medicaid, so check first if you receive them.

Q. Can I sell my home later?

Yes, anytime. The loan is paid off from the sale and you keep the remaining equity.

Q. What if my home loses value?

Thanks to the FHA insurance, you or your heirs never owe more than the home is worth when sold.

Q. Can I make payments if I want?

Yes. Voluntary payments can reduce the balance, and on a line of credit, paid amounts can become available to use again.

Q. Does a condo qualify?

It can, if the condo project is FHA approved or the unit qualifies for a single unit approval.

Mistakes to Avoid

These are the costly ones we see most often. Each can be avoided with a little planning.

- 1 Waiting until there is a crisis**
Decisions made in a hurry, after a fall or a hospital stay, leave fewer choices. Learn your options early.
- 2 Not comparing all the options**
A HECM, selling and rightsizing, or a HECM for Purchase can lead to very different results. Look at them side by side.
- 3 Taking all the money at once without a plan**
A growing line of credit may serve you better than a lump sum you do not need yet.
- 4 Forgetting about taxes and insurance**
These bills never go away. Build them into your budget, or use a set aside.
- 5 Leaving a younger spouse unprotected**
Make sure a spouse under 62 is properly named so they can stay in the home.
- 6 Keeping the family in the dark**
Surprised heirs can lead to stress later. Include them early.
- 7 Falling for pressure or bundled sales pitches**
Never feel rushed, and be wary of anyone steering your money into annuities or investments.

Is a HECM right for you?

It is often a strong fit if you plan to stay in your home for many years, have good equity and want more monthly breathing room. It may not be the best fit if you plan to move soon, want to leave the home free and clear, or would struggle with taxes and upkeep.



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SECTION 11 | YOUR NEXT STEP

Let's Talk About Your Options

In one short, friendly conversation, we can look at what your home is worth today, how a reverse mortgage compares with selling or rightsizing, and which path fits you and your family best.

There is no cost and no obligation. Just clear answers so you can decide what is right for you.



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This guide is for general information only and is not financial, tax or legal advice. Gregg Perrah is a licensed real estate advisor, not a mortgage lender or broker, and does not originate reverse mortgages. HECM loans are insured by the FHA; this guide is not affiliated with or endorsed by HUD or FHA. Limits, costs and rules change, including the 2026 HECM limit of \$1,249,125. Please confirm details with a HUD approved counselor and a licensed reverse mortgage professional.

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