

# The Complete Reverse Mortgage Guide for California Homeowners 55+

Everything you need to understand your options,  
make a confident decision, and protect your retirement.

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- ✓ How reverse mortgages actually work
- ✓ HECM vs. proprietary products explained
- ✓ Qualification requirements
- ✓ Payout options compared
- ✓ Pros, cons, and common myths
- ✓ Real California equity scenarios
- ✓ Questions to ask before you decide

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### A note from Jay

This guide was written for California homeowners 55 and older who want clear, honest information about reverse mortgages — without the sales pressure. Whether you're seriously considering a reverse mortgage or just starting to explore, my goal is to give you everything you need to make a confident, informed decision. If you have questions after reading, I'm always available for a free, no-obligation conversation.

## Chapter 1

# How a Reverse Mortgage Actually Works

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A reverse mortgage is a loan that lets homeowners 55 or older convert a portion of their home equity into usable funds — without selling the home or making monthly mortgage payments. The loan is repaid when you sell the home, move out permanently, or pass away.

Unlike a traditional mortgage where you make payments to a lender, a reverse mortgage works in the opposite direction: the lender makes funds available to you. Your home equity becomes accessible while you remain in the home you own.

## The three things most people get wrong

- **Wrong: The bank takes ownership of your home.** You retain full title and ownership throughout the loan. The reverse mortgage is simply a lien against the property — the same as a traditional mortgage.
- **Wrong: You can be forced out of your home.** As long as you live in the home as your primary residence, pay property taxes and insurance, and maintain the property, you cannot be forced to leave.
- **Wrong: Your heirs will be left with debt.** HECM reverse mortgages are non-recourse loans. Your heirs will never owe more than the home is worth at the time of sale. If the loan balance exceeds the home's value, the FHA insurance covers the difference.

## How repayment works

The loan becomes due when the last borrower permanently leaves the home. At that point, the home is typically sold. The loan balance — funds drawn plus accrued interest — is repaid from the proceeds. Any remaining equity belongs to you or your heirs.

There are no required monthly payments. Interest accrues on amounts drawn and is added to the loan balance over time. You can make voluntary payments at any time without penalty, which reduces the growing balance if you choose.

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### The non-recourse protection

You and your heirs will never owe more than the home's appraised value at the time of sale — guaranteed by FHA mortgage insurance on HECM loans. Even if the loan balance has grown beyond the home's value, your other assets are fully protected. This is one of the most important consumer protections in the program.

## Ongoing obligations

While no monthly mortgage payment is required, you must:

- ✓ Continue living in the home as your primary residence

- ✓ Pay property taxes and homeowner's insurance on time
- ✓ Maintain the property in reasonable condition
- ✓ Complete mandatory HUD counseling before closing (for HECM loans)

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**Important:** Falling behind on property taxes or insurance is the most common cause of reverse mortgage default. Before closing, make sure you have a clear plan for covering these ongoing costs throughout retirement.

## Chapter 2

# Types of Reverse Mortgages

There are two main types of reverse mortgages available in California. Understanding the difference is essential because the right product for you depends on your age, home value, and specific goals.

## FHA HECM — Home Equity Conversion Mortgage

The HECM is the federally insured reverse mortgage program, backed by the U.S. Department of Housing and Urban Development. It is the most common reverse mortgage in the country and comes with standardized terms, mandatory consumer protections, and the non-recourse guarantee described in Chapter 1.

Feature	HECM Details
Minimum age	62 years old
2026 lending limit	\$1,249,125
Government insured?	Yes — FHA insured by HUD
Mortgage insurance	2% upfront + 0.5% annually
Line of credit growth?	Yes — unique to HECM
Condo eligibility	HUD-approved projects only
Counseling required?	Yes — mandatory HUD session

## Proprietary Reverse Mortgage (Jumbo)

A proprietary reverse mortgage is a private loan product offered by individual lenders. Because it is not government-insured, lenders set their own terms — which creates more flexibility and serves two groups that the HECM cannot: homeowners with high-value properties and younger homeowners.

In California, proprietary reverse mortgages are available from age **55** — seven years earlier than the HECM minimum. This is one of the most significant advantages available to California homeowners and allows for earlier retirement planning and equity access.

	HECM	Proprietary
Minimum age	62	55 in CA
Loan limit	\$1,249,125	Up to \$4M

FHA insured	✓	✗
Growing line of credit	✓	Varies
Non-HUD condos	✗	✓ More flexible
Mortgage insurance	Required	Not required

## Chapter 3

# Do You Qualify?

Qualifying for a reverse mortgage involves four main factors:

### 1. Age

For FHA HECM loans, you must be at least 62 years old. For proprietary reverse mortgage products in California, the minimum age is 55. If there are two borrowers (such as a married couple), the loan terms are based on the age of the younger borrower.

### 2. Home equity

There is no federally mandated minimum equity percentage, but most lenders look for at least 50% equity — meaning the home's value is roughly double what you still owe. If you have an existing mortgage, the reverse mortgage must be large enough to pay it off at closing.

Home Value	Amount Owed	Equity	Equity %	Likely Eligible?
\$750,000	\$0	\$750,000	100%	Yes — strong
\$750,000	\$200,000	\$550,000	73%	Yes — very likely
\$750,000	\$375,000	\$375,000	50%	Likely — age dependent
\$750,000	\$500,000	\$250,000	33%	Unlikely — consult Jay
\$1,400,000	\$300,000	\$1,100,000	79%	Yes — jumbo product

*Examples based on California home values. Actual eligibility depends on age and current interest rates.*

### 3. Property type

Eligible properties for HECM loans include:

- ✓ Single-family homes and 1–4 unit properties (primary residence only)
- ✓ FHA-approved condominiums
- ✓ HUD-approved manufactured homes

Not eligible for HECM:

- ✗ Second homes or vacation properties
- ✗ Investment or rental properties
- ✗ Condos not in HUD-approved projects (proprietary options may apply)

### 4. Financial assessment

Lenders conduct a financial assessment to confirm you have the ability and willingness to pay ongoing obligations — primarily property taxes, insurance, and maintenance. This does not require a minimum income level but does review credit history and residual income. In some cases, a Life Expectancy Set-Aside (LESA) is required, which reserves a portion of the loan proceeds specifically for future tax and insurance payments.

## Chapter 4

# Your Payout Options

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One of the most flexible aspects of a reverse mortgage is how you receive the funds. There are four primary options, and you can combine them to fit your specific retirement needs.

## Lump Sum

Receive all available funds at closing in one payment. This is the only option available on fixed-rate HECM products. Best for homeowners who need to pay off a large existing mortgage balance or fund a specific major expense.

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**Important:** Use with caution: receiving a large lump sum requires discipline in managing the funds throughout retirement. Unused funds sit in an account but do not grow like the line of credit.

## Monthly Payments

Receive a set monthly payment for either a fixed term (term payments) or for as long as you live in the home (tenure payments). Tenure payments continue regardless of how long you live in the home, making them a useful supplement to Social Security or pension income.

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**Important:** Tenure payments stop when you permanently leave the home. They do not continue if you move to assisted living.

## Line of Credit

Access funds on demand, in amounts you choose, at any time. The unused portion of a HECM line of credit grows over time at the loan's interest rate — meaning the longer you wait to draw, the more becomes available. This is the most popular and strategically powerful option.

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**Important:** The growing line of credit is unique to the HECM program. Most proprietary products do not offer this feature.

## Combination

Mix and match: take a partial lump sum at closing, set up monthly payments for income, and keep a line of credit as a reserve for future needs. Adjustable-rate HECM products allow you to change your payment option after closing.

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**Important:** Work with Jay to design a combination that fits your specific retirement income plan.

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### The line of credit growth feature — illustrated

A \$250,000 line of credit established at age 65 at a 6% growth rate becomes approximately \$334,000 at age 70, \$447,000 at age 75, and \$598,000 at age 80 — if left undrawn. This growth is guaranteed regardless of what happens to home values, making it one of the most valuable long-term retirement planning tools available to homeowners.

## Chapter 5

# The Real Pros and Cons

An honest assessment of both sides — because making the right decision requires understanding the complete picture.

ADVANTAGES	DISADVANTAGES
✓ No required monthly mortgage payment	✗ Loan balance grows over time (interest accrues)
✓ Stay in the home you love	✗ Upfront costs: origination fee, MIP, appraisal, closing
✓ Proceeds are tax-free	✗ Reduces equity available to heirs
✓ Non-recourse — never owe more than home's value	✗ Ongoing obligation: taxes, insurance, maintenance
✓ Flexible payout options including growing line of credit	✗ Not suitable if planning to move within 2–3 years
✓ Does not affect Social Security or Medicare	✗ CA condos need HUD approval for HECM (proprietary available)
✓ Available from age 55 in California (proprietary)	✗ Medi-Cal: large cash reserves may affect eligibility
✓ Can pay off existing mortgage at closing	✗ Mandatory HUD counseling required before closing

## Chapter 6

# Reverse Mortgage Myths Debunked

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### **MYTH: The bank will own my home.**

**TRUTH:** False. You retain full ownership and title throughout the entire loan. The lender holds a lien — just as with any mortgage — but your name stays on the deed.

### **MYTH: I can be kicked out of my home.**

**TRUTH:** False. As long as you live in the home as your primary residence, pay property taxes and insurance, and maintain the property, you have the right to stay. The loan only becomes due when you leave permanently.

### **MYTH: My heirs will inherit my debt.**

**TRUTH:** False. HECM loans are non-recourse. Your heirs never owe more than the home's value. If the loan balance exceeds the home's value at sale, FHA insurance covers the difference. Your heirs' other assets are never at risk.

### **MYTH: Reverse mortgages are only for desperate homeowners.**

**TRUTH:** False. Many financially secure homeowners use reverse mortgages as strategic retirement planning tools — to delay Social Security, create a growing line of credit, or free up cash flow without selling investments during market downturns.

### **MYTH: I will lose my Social Security and Medicare.**

**TRUTH:** False. Reverse mortgage proceeds are loan proceeds, not income. They do not affect Social Security or Medicare benefits. (Note: large cash balances may affect Medi-Cal eligibility — consult an advisor if you receive this benefit.)

### **MYTH: Reverse mortgages have hidden fees.**

**TRUTH:** False. All HECM fees are federally regulated and disclosed upfront. You receive a Good Faith Estimate detailing every cost before closing. Mandatory HUD counseling ensures you understand all terms before signing anything.

## Chapter 7

# Real California Equity Scenarios

California homeowners are in an exceptionally strong equity position. Years of appreciation have created substantial wealth in the walls of homes throughout San Diego, Los Angeles, Palm Springs, and surrounding areas. Here is what that means in real numbers.

### How much can you access?

The amount available from a reverse mortgage depends on three inputs: your age, your home's appraised value, and current interest rates. Generally, the older you are and the more equity you have, the more you can access. The table below shows illustrative examples:

Age	Home Value	Approx. Available*	Product
62	\$700,000	\$315,000–\$350,000	HECM
68	\$850,000	\$425,000–\$480,000	HECM
72	\$1,100,000	\$580,000–\$650,000	HECM
55	\$900,000	\$350,000–\$420,000	Proprietary (CA)
65	\$1,800,000	\$900,000–\$1,100,000	Jumbo Proprietary

*\*Illustrative estimates only. Actual amounts depend on current interest rates and lender. Use [reversemortgage.coach/calculator](https://reversemortgage.coach/calculator) for a personalized estimate.*

### The hidden cost of selling — what you'd actually net

Most California homeowners assume selling means receiving the full home value. The real net proceeds are often significantly lower:

Cost Item	Typical Amount (on \$850,000 sale)
Real estate agent commission (4–5%)	\$34,000–\$42,500
Transfer taxes + closing costs (1–2%)	\$8,500–\$17,000
Staging, repairs, pre-sale work	\$5,000–\$15,000
Federal capital gains (above \$500k exclusion)	\$20,000–\$60,000+
California state capital gains (up to 13.3%)	\$15,000–\$40,000+
Moving costs and new home setup	\$8,000–\$20,000

**ESTIMATED NET PROCEEDS****\$650,000–\$715,000**

*Illustrative only. Actual costs vary by property, location, and individual tax situation. Consult a tax advisor for your specific capital gains exposure.*

## Chapter 8

# Questions to Ask Before You Decide

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A reverse mortgage is a significant financial decision. Before moving forward, work through these questions — either on your own or with Jay on your free strategy call. Your answers will make the right path clear.

### About your intentions

- Do I genuinely plan to stay in this home for the next 5 or more years?
- Am I considering this because I need funds now, or as a proactive planning tool?
- Have I discussed this decision with family members who may be affected?

### About your finances

- Have I calculated what I would actually net if I sold (after taxes, fees, and moving costs)?
- Do I have a clear plan for paying property taxes and insurance throughout retirement?
- Would eliminating my monthly mortgage payment meaningfully improve my retirement cash flow?
- Am I working with a fee-only financial planner who can help integrate this into my overall plan?

### About your equity and eligibility

- What is my home's current market value (not the purchase price)?
- What is my current mortgage balance — and what is my equity percentage?
- Am I 62 or older (HECM), or between 55 and 61 (California proprietary program)?
- Is my home a single-family property, or a condo that may need HUD approval?

### About the product

- Do I need a lump sum, monthly income, a growing line of credit, or a combination?
- Am I aware of all the costs — origination fee, FHA insurance, appraisal, and closing costs?
- Do I understand that the loan balance will grow over time as interest accrues?
- Have I compared both HECM and proprietary products for my specific situation?

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### One more question worth asking

Have I spoken with a licensed reverse mortgage specialist who has no financial incentive to steer me toward any particular product? Jay Zayer works with both HECM and proprietary products and will recommend whichever fits your situation best — or tell you honestly if neither does.

YOUR NEXT STEP

# Book Your Free Strategy Call with Jay

In 30 minutes, you'll get a clear, personalized picture of your reverse mortgage options — with zero pressure and zero obligation. If it's not the right fit, Jay will tell you that too.

## IN YOUR FREE CALL YOU'LL GET:

- ✓ Your personalized equity estimate based on your home's current value
- ✓ A comparison of HECM vs. proprietary programs for your situation
- ✓ Clear answers to every question you have — in plain English
- ✓ An honest assessment of whether a reverse mortgage makes sense for you

**Book at [calendly.com/jmzayer/30min](https://calendly.com/jmzayer/30min)**

Or call directly: 760-271-8646

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Serving homeowners 55+ throughout California and Arizona

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