

Reverse Mortgage Safety & Education Guide for California Seniors

A comprehensive guide to understanding, evaluating, and safely using a federally insured Home Equity Conversion Mortgage (HECM).

Prepared by Moe Nelson, NRMLA Member

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1. Understanding the Basics

What is a HECM (Reverse Mortgage)?

A Home Equity Conversion Mortgage (HECM) is a federally insured loan for homeowners aged 62 or older, designed to convert a portion of your home's equity into accessible funds while you continue to own and live in your home.

Key Features:

- No required monthly mortgage payments.
- You remain responsible for property taxes, insurance, and maintenance.
- Repayment occurs when the last borrower sells, moves out permanently, or passes away.
- Regulated and insured by the U.S. Department of Housing and Urban Development (HUD).

How It Works

1. Eligibility – Must be 62+, have sufficient equity, and occupy the home as a primary residence.
2. Counseling – Mandatory independent session with a HUD-approved counselor.
3. Application & Appraisal – Property is appraised to determine value and lending limits.
4. Loan Closing – Funds may be disbursed as a lump sum, monthly payment, or line of credit.
5. Servicing – No repayment due until a maturity event (sale, move, or death).
6. Repayment – The home is sold, proceeds pay off the balance, and any remaining equity belongs to you or your heirs.

2. Safety Built Into the Program

Non-Recourse Protection: You and your heirs will never owe more than the home's value when sold - FHA insurance covers any shortfall.

Mandatory Counseling: Borrowers must complete a HUD-approved counseling session before application or closing.

Federal Oversight: HECMs are insured and monitored by HUD and must be originated by FHA-approved lenders subject to ethical and compliance standards.

3. The Reverse Mortgage Safety Checklist

1. Attend HUD Counseling
2. Verify Lender Credentials
3. Review All Costs in Writing

4. Keep Taxes & Insurance Current
5. Discuss with Family or Trusted Advisors
6. Evaluate Payment Options
7. Plan for Long-Term Housing & Healthcare
8. Maintain the Property
9. Keep Records Organized

4. Avoiding Common Misunderstandings

Myth vs Fact Table:

Myth: The bank owns my home. → Fact: You retain full ownership.

Myth: My children will lose the home. → Fact: Heirs can sell, refinance, or walk away without liability.

Myth: I can't move. → Fact: You can move anytime; the loan becomes due upon permanent move.

Myth: It's free money. → Fact: HECMs are loans that accrue interest over time.

5. Borrower Protections and Financial Planning Tips

- Set up automatic reminders for taxes and insurance.
- Avoid investment advisers or contractors who pressure you to use loan proceeds.
- Use proceeds wisely: debt payoff, home improvements, or emergency funds.
- Consult additional financial professionals.
- Monitor credit line growth and interest rates.

6. Resources for California Seniors

Federal & State Agencies:

- HUD Housing Counseling Locator: hud.gov/counseling
- California Department of Aging: aging.ca.gov
- Council on Aging Southern California: coasc.org
- CFPB: consumerfinance.gov
- NRMLA: reversemortgage.org

Educational Tools:

- Reverse Mortgage Calculator & Guide: reversemortgageserviceslosangeles.com/hecm-reverse-mortgage-calculator
- HUD Counseling Directory: Search by ZIP code.
- Senior Legal Aid (California): Free or low-cost legal help.

7. Important Disclaimers

This publication is intended for educational purposes only and does not constitute financial, tax, or legal advice. Consult with a HUD counselor, tax professional, or attorney before making any decisions.

C2 Financial Corp and Moe Nelson provide this guide to promote consumer awareness and responsible decision-making. All loans subject to FHA/HUD guidelines.