IDEAL FINANCIAL, INC.

CALIFORNIA REVERSE MORTGAGE SPECIALISTS

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The California Reverse Mortgage Guide

Plain-English answers for homeowners 55 and over — and for the sons and daughters helping them decide. What it is, what it costs, what's protected, and how to know if it's right for you.

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A NOTE BEFORE WE BEGIN

Why I wrote this guide

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After thirty years in California lending, I've learned that most people don't fear reverse mortgages because of what they are. They fear them because of what they've *heard* — usually secondhand, usually years out of date, and usually wrong.

So this guide has one job: give you the straight story. What a reverse mortgage actually is, what it honestly costs, the consumer protections California adds on top of federal law, and — just as important — the situations where I'd tell you **not** to do one. Because there are some, and any professional who won't say so isn't working for you.

You won't find pressure in these pages, and you won't find it if you call me, either. When you're ready, I'm one phone call away — and you'll get me, not a call center.

— Ken

Reading this for a parent? This guide was written for you too — page 11 speaks directly to adult children: the questions worth asking, the protections that cover the family, and the red flags that mean walk away.

What's inside

THE BASICS

Reverse mortgages, plain and simple

A reverse mortgage is a home loan for homeowners 62 and over (55+ for some programs) that works in the opposite direction of the mortgage you've had all your life: **instead of you paying the lender every month, the lender makes funds available to you** — from the equity you've already built.

No monthly principal-and-interest payment is required.* The loan is repaid later — usually when the last borrower sells, moves out permanently, or passes away. The most common version is the **HECM** (Home Equity Conversion Mortgage), insured by the Federal Housing Administration.

What does not change

- **You keep the title.** Your name stays on the deed — the lender never takes ownership.
- **You keep your home.** You live in it as long as you like, as your primary residence.
- **You keep your freedom.** Sell whenever you want and keep the equity above the loan balance. No prepayment penalty.

What changes

- **The monthly payment goes away.*** If you still have a mortgage, the reverse loan pays it off first.
- **Equity becomes usable.** Take funds as a lump sum, monthly payments, a line of credit, or a mix.
- **The balance grows over time.** Interest is added to the loan instead of paid monthly — honest trade-off, covered on page 8.

The one-sentence version: a reverse mortgage converts part of your home's value into money you can use now, while you continue to own and live in your home — and it's repaid from the home's value later, not from your monthly income today.

*With any reverse mortgage, you remain responsible for property taxes, homeowner's insurance, and home maintenance. Failing to meet these obligations can cause the loan to become due. A reverse mortgage is a loan and must be repaid.

SETTING THE RECORD STRAIGHT

The five myths that stop good decisions

Most of what people “know” about reverse mortgages dates to rules that were rewritten years ago. Here is the current truth, side by side.

Myth	Fact
MYTH 1 “The bank ends up owning your home.”	**FACT** You stay on title as the owner — period. A reverse mortgage is a lien, exactly like the mortgage you had at 40. The bank never takes ownership of your home.
MYTH 2 “Your kids get stuck with the debt.”	**FACT** Impossible by design. These loans are **non-recourse**: neither you nor your heirs can ever owe more than the home’s value when it’s sold — even if the balance is higher.
MYTH 3 “You can be forced out of your house.”	**FACT** As long as you live there as your primary residence and keep up taxes, insurance, and maintenance, the loan cannot be called due — no matter how long you live.
MYTH 4 “It’s a last resort for desperate people.”	**FACT** That’s twenty years out of date. Financial planners now use reverse mortgages proactively — as a standby credit line and a tool to make retirement savings last longer.
MYTH 5 “There will be nothing left for the kids.”	**FACT** You only borrow part of your home’s value, and any equity above the balance still belongs to you and your heirs. In California’s market, many families repay the loan and keep substantial equity.

Why the myths persist: early-generation reverse mortgages earned a reputation some of it deserved. Today’s program has mandatory counseling, spousal protections, and financial safeguards — plus California’s own state-law protections on top. See them all on page 9.

ELIGIBILITY

Do you qualify?

There's no minimum credit score requirement like a traditional refinance, and no income level to hit. The requirements are simpler — and most California homeowners over 62 meet them.

The basic checklist

- **Age:** at least one borrower is 62 or older for the FHA-insured HECM. Some jumbo ("proprietary") programs start at **age 55**.
- **Your home is your primary residence** — you live there most of the year.
- **Meaningful equity** — typically you own the home outright or have paid down a substantial share. An existing mortgage is fine; the reverse loan pays it off first.
- **A basic financial review** — lenders confirm you can sustain property taxes and insurance. This protects you; it's not a traditional income qualification.
- **A HUD-approved counseling session** — required for everyone, and a good thing (page 12).

Eligible California homes

- Single-family homes
- 2–4 unit properties (you live in one unit)
- FHA-approved condominiums — and some non-approved condos through jumbo programs
- Many planned-community and manufactured homes meeting FHA standards
- **Homes held in a living trust** — usually fine; the trust is simply reviewed as part of the process

Own a higher-value home?

The FHA program calculates your proceeds on home value up to **$1,249,125** (the 2026 limit). If your California home is worth more, **jumbo reverse programs** work with values up to **$4 million**, start at age 55, and charge no FHA mortgage insurance premium.

The right answer is rarely obvious — it's why I run both options side by side for every client whose home value calls for it.

THE NUMBERS

How much can you access — and how you receive it

Your available amount (the "principal limit") is set by three things. As a rule of thumb, most borrowers can access somewhere in the range of **roughly 35% to 60% of their home's value** — older borrowers and lower interest rates mean more.

1. Age

The older the youngest borrower, the higher the percentage available.

2. Value

Your appraised home value — counted up to $1,249,125 for HECM, up to $4M on jumbo programs.

3. Rates

Current interest rates set the calculation — lower rates unlock more.

Four ways to receive your funds

Lump sum

Take funds at closing — most often used to pay off an existing mortgage and end the monthly payment.*

Monthly payments

A steady deposit for a set number of years — or guaranteed for as long as you live in the home.

Line of credit

Draw only what you need, when you need it. Interest accrues only on what you've drawn.

Combination

Mix and match — for example, pay off the mortgage, take a small monthly amount, and keep a credit line in reserve.

The feature almost nobody knows: the **unused portion of a HECM line of credit grows over time** — your available credit gets larger every year you don't touch it, regardless of what your home's value does. Opened in your early 60s and left alone, it can become a dramatically larger safety net by your late 70s. It cannot be frozen or cancelled like a bank HELOC as long as you meet your loan obligations. This single feature is why financial planners changed their minds about reverse mortgages.

*You remain responsible for property taxes, homeowner's insurance, and home maintenance. Figures shown are program parameters, not an offer of credit; your exact numbers depend on age, appraisal, and current rates.

STRATEGY

Six smart ways California homeowners use it

Forget "last resort." These are the six uses I structure most often — several for clients who don't need the money at all.

1. Retire the mortgage payment

Pay off the existing mortgage and redirect that monthly payment back into your own life.* The most common use, and often life-changing on a fixed income.

2. Open a standby credit line

Set it up early, use it never — unless life happens. The growing, un-freezable credit line (page 6) is retirement insurance that costs nothing monthly to keep.*

3. Protect your investments

In down-market years, draw from the credit line instead of selling stocks at a loss — giving your portfolio time to recover. Planners call it managing "sequence risk."

4. Delay Social Security

Use reverse proceeds as a bridge in your 60s so your Social Security benefit can grow toward its maximum at age 70.

5. Fund care at home

Pay for in-home help, home modifications, or health costs — so staying in your own home remains possible, on your terms.

6. Buy your retirement home

With a **HECM for Purchase**, buy the single-story or closer-to-the-grandkids home with roughly half down — no monthly principal & interest payment on the rest.*

A word on helping family now: some clients use proceeds to help children with a down payment or grandchildren with tuition — giving during their lifetime, when it helps most. It's a personal choice, and one worth discussing with your family and tax advisor together.

*Borrower remains responsible for property taxes, homeowner's insurance, and home maintenance. Loan proceeds are generally not taxable income, but consult your tax advisor about your situation. Discuss investment-related strategies with your financial advisor; Ideal Financial does not provide investment advice.

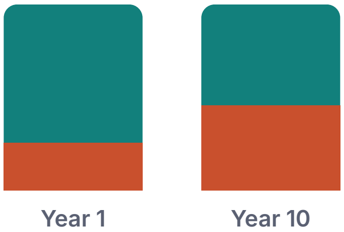
FULL TRANSPARENCY

What it costs — the honest version

Reverse mortgages have real costs, and you deserve to see them before anyone asks for your business. Most are financed into the loan rather than paid out of pocket — but financed or not, they're still costs, and here they are.

COST	FHA-INSURED HECM	JUMBO / PROPRIETARY
FHA mortgage insurance	2% of home value up front, plus 0.5% yearly on the balance — this funds the federal guarantees on page 9	**None** — a major saving on higher-value homes
Origination fee	Capped by federal law at $6,000 maximum	Varies by program; disclosed up front
Closing costs	Appraisal, title, escrow, recording — similar to any California mortgage	
Counseling session	Typically around $125–$200, paid to the independent HUD-approved agency — not to any lender	
Monthly payment	**None required.** Taxes, insurance, and upkeep remain yours, as with any home you own	

The real trade-off: the balance grows



Loan balance grows over time — interest and any insurance are added to it instead of being paid monthly.

Your equity is what remains — it typically shrinks as the balance grows, though California appreciation can offset some or all of it.

Illustration of the concept only — not a projection. Your quote includes a year-by-year amortization table with your real numbers.

My rule for every client: you see every cost, in writing, side by side — HECM next to jumbo where both apply — before you decide anything. If the costs outweigh the benefit for your situation, I'll say so. That's the whole job.

PEACE OF MIND

The protections built around you

Today's reverse mortgage is one of the most heavily regulated consumer loans in America — and California adds its own layer on top of federal law.

Non-recourse guarantee

You and your heirs can never owe more than the home's value when the loan is repaid. Any shortfall is covered — not inherited.

Federal insurance on HECMs

The FHA guarantees your funds: even if your lender disappeared tomorrow, your monthly payments and credit line would keep working.

Independent counseling, required

Before any application, you meet with a HUD-approved counselor who works for you, not for any lender — and confirms you understand every term.

A financial safety check

The required financial assessment confirms the loan is sustainable for you — a safeguard added specifically to protect senior borrowers.

Protection for a younger spouse

An eligible spouse under 62 can be protected as a non-borrowing spouse and remain in the home even after the borrower passes away.

No prepayment penalty

Sell, refinance, or pay the loan down at any time, for any reason, at no penalty. You are never locked in.

7-day cooling-off period CALIFORNIA

State law requires seven days after counseling before any lender may take your application. Nobody can rush you — it's illegal to try.

No investment tie-ins — ever CALIFORNIA

California law prohibits requiring you to buy an annuity or investment with your proceeds. If anyone pitches one alongside a reverse mortgage, walk away.

Bottom line: between federal reforms and California's Reverse Mortgage Elder Protection law, more safeguards stand between you and a bad outcome on this loan than on the mortgage you signed at 40 without blinking.

THE LONG VIEW

What happens later — your home, your heirs

The loan comes due when the last borrower sells the home, moves out permanently, or passes away. What happens next is your family's choice — and they have three clean options.

OPTION 1

Keep the home

Your heirs pay off the loan balance — usually by refinancing into a traditional mortgage — and keep the home.

If the balance exceeds the home's value, federal rules let them settle for **95% of appraised value** — never more.

OPTION 2

Sell & keep the equity

The home is sold, the loan is repaid from the proceeds, and **everything above the balance belongs to your heirs**.

In California's market, this is the most common outcome — and often leaves a meaningful inheritance.

OPTION 3

Walk away, owe nothing

If the balance is higher than the home's value, heirs can simply sign the home over.

The non-recourse guarantee means **no debt ever passes to your family**. Their inheritance and savings are untouchable.

Good to know about the timeline

- Heirs generally have **time, not days** — typically six months to settle the loan, with extensions often available while a sale or refinance is arranged.
- The loan servicer sends written options; nothing happens automatically or overnight.
- Homes in a **living trust** pass to heirs the same way — the trust simply follows your estate plan.

Ken's advice: tell your family about the loan while you're making the decision, not after. In thirty years, I've never seen a family upset by a reverse mortgage they understood — only by one they discovered. Bring your kids to the conversation; I welcome it.

For the adult children

If your mom or dad handed you this guide — or you found it doing your own homework — this page is for you. Your skepticism is healthy. Here's how to use it well.

What protects you and your parents

- **Your parents stay on title.** The lender never owns the home.
- **You cannot inherit this debt.** Non-recourse means the loan is settled by the home alone — your finances are never at risk.
- **Any remaining equity is still your family's.** The loan uses part of the home's value, not all of it.
- **An independent counselor** — not a salesperson — must confirm your parents understand the loan, and California adds a 7-day waiting period after that.

Questions worth asking (ask me any of them)

- What does the year-by-year amortization table show — balance and remaining equity?
- Why this program instead of the alternatives — HELOC, refinance, downsizing?
- What are the total costs, in dollars, on one page?
- What exactly keeps the loan in good standing?
- What's the plan if one parent needs long-term care outside the home?

Red flags that mean walk away — from anyone: pressure to sign quickly · any suggestion to invest the proceeds or buy an annuity (illegal to require in California) · reluctance to include you in conversations · vague answers about costs · promises that sound like "free money." A legitimate professional welcomes the whole family and puts everything in writing.

An honest word: sometimes the right answer for your parents is *no* — and when it is, I say so. But sometimes the reverse mortgage is what lets Mom stay in the house she loves without calling you for money she'd rather not ask for. The goal isn't the loan. The goal is their independence, protected — and yours.

STEP BY STEP

The process in California

Plan on roughly **six to eight weeks** start to finish — California's consumer protections add time, and that's a feature, not a flaw. Anyone promising much faster in this state is cutting corners.

1 **A real conversation — no cost, no obligation**

We talk through your goals and whether a reverse mortgage even makes sense. If it doesn't, you'll hear it from me first.

2 **Your written proposal**

Exact numbers for your situation — and where your home value calls for it, the FHA HECM and the jumbo option side by side: proceeds, costs, and payout choices on one page.

3 **Independent HUD-approved counseling**

Required for every borrower — typically about an hour, by phone or in person, with a counselor who doesn't work for any lender. I provide the approved agency list; you choose.

4 **California's 7-day cooling-off period**

After counseling, state law gives you seven days before any application can be taken. Use it — re-read this guide, talk with your family, call me with questions.

5 **Application & appraisal**

We complete the application and a licensed appraiser values your home. I handle the file personally — you always know exactly where things stand.

6 **Closing & funding**

Sign with a notary, then a standard 3-day right of cancellation, then funding — your existing mortgage is paid off and your proceeds are set up exactly as you chose.

One promise about the whole process: you will never be handed off. One broker, one phone number, start to finish — (818) 674-7284.

THE HONEST ASSESSMENT

Is it right for you?

It tends to work well when...

- You plan to stay in your home for years to come
- A monthly mortgage payment is squeezing a fixed income
- You want a growing safety net without selling investments
- You're buying a retirement home and want to keep more cash
- Most of your wealth is in your home — and you'd like to use some of it while staying put

Think twice when...

- You expect to move within a few years — upfront costs deserve time to earn their keep
- Sustaining property taxes and insurance would be a stretch even without a mortgage payment
- A simple HELOC or downsizing solves the problem at lower cost
- Leaving the home itself — not its value — debt-free to family is your top priority

Seven questions to ask any lender — including me

- Are you a broker with multiple lenders, or do you sell one company's product?
- Will you show me HECM and jumbo options side by side?
- What are the total costs, in dollars, on one page?
- Can I see a year-by-year amortization table?
- Who will I actually talk to after closing?
- What would make you tell me *not* to do this?
- May my adult children join every conversation?

How I answer that last one: please bring them. A decision this size should be made in daylight, with the whole family comfortable — that's how thirty-year reputations are built, and mine is not for sale.

YOUR NEXT STEP — WHEN YOU'RE READY

Get your numbers. Keep your options open.

A custom quote costs nothing, obligates you to nothing, and shows exactly what your home qualifies for — HECM and jumbo side by side where both apply. Then take all the time you need. The 7-day law is on your side, and so am I.

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Serving homeowners throughout California · 30 years in California lending

When you call: we'll talk for fifteen or twenty minutes about your home and your goals. You'll get straight answers and, if you want them, your written numbers within a day or two. No scripts, no pressure, no follow-up you didn't ask for.

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