

Protect Your Home Like You Protect Others: California Homestead Exemption

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What is the Homestead Exemption?

California's Homestead Exemption allows homeowners to protect a portion of their home's equity from creditors, liens, and judgments.

Although it is not a requirement, filing a Homestead declaration is crucial for financial planning and asset protection if you have significant equity in your home. This is especially true for law enforcement officers who work in a career field with a higher risk of being sued.

What are the benefits?

The key benefit of filing a Homestead declaration is the protection against a forced sale of your home in the event of a judgement following a lawsuit.

For example: If you are sued civilly and lose, you may be ordered to pay monetary damages to the other party. Suppose the damage award is \$100,000. Most of us do not have the ability to simply write a check for \$100k; thus, the prevailing party could attempt to force the sale of your home to recover the \$100k. The Homestead Exemption would protect your equity and prevent the forced sale of your home.

This also applies to collections and bankruptcy proceedings. Suppose you have \$100,000 in debt and lose your job unexpectedly. You fall behind on loan and credit card payments and eventually your creditors obtain a judgment to recover the debt by forcing the sale of your home.

Again, the Homestead Exemption acts like a safety net and prevents the forced sale of your home.

Does the Homestead Exemption apply to all cases?

No. The Homestead Exemption does not prevent foreclosure by mortgage lenders, and it does not apply to certain debts like back taxes, child support, or alimony. In those cases, even if a Homestead declaration was filed, it would not protect your home from creditors.

How does it work?

First, the Homestead Exemption only applies to your principal residence – meaning the property where you actually live. It does not apply to commercial property or second homes.

The exemption amount is based on the average home sale price in the county where you live from the previous year. As of 2023, the minimum

exemption amount is \$300,000 and the maximum is \$600,000. (Note: these amounts fluctuate annually by county.)

Suppose your home is worth \$800k. You still owe \$500k on your mortgage, so your equity is \$300k. You owe a creditor \$100k, but you have the Homestead Exemption protecting your \$300k equity.

The creditor cannot force the sale of the home to recover \$100k because the total \$300k equity is “exempt” and fully covered by the Homestead protection.

How do I file a Homestead Declaration?

1. Search your county’s court website for the “Homestead Declaration” form.
2. Fill out the form but do not sign it! It must be signed in front a notary to be valid.
3. Once the form is signed and notarized, file it with your County Recorder’s office.

Once the exemption is granted, it remains in effect until the owner no longer occupies the home as their principal residence, or until the title to the property changes. The exemption continues each year automatically without the need to refile.

Bottom Line:

Working in law enforcement comes with financial risks. The Homestead Exemption is one way to protect your most valuable asset and keep a roof over your head during a financial hardship.

Filing a Homestead declaration now will help preserve stability and allow you to address financial issues without the fear of losing your home in the event of a judgment

Stay Safe and Informed!