



HECM Protocol Training

Program Support Division
Office of Single Family Housing
Federal Housing Administration

Agenda for Training



- Overview of Protocol
- Overview of Protocol Appendices
- Changes to Counseling Requirements

Overview of Protocol



II. Introduction

- Protocol required by HERA of 2008
- Counselors must follow Protocol procedures and topics
- HUD's HECM counseling requirement for borrowers
- Objectives of HECM Counseling
- Overview of Contents

III. Counselor Roles and Responsibilities



Counselor role -

1. To educate client about features and appropriateness of RM for him/her
2. Provide on-going support throughout the process

III. Counselor Roles and Responsibilities



Counselor Responsibilities

1. Follow the Protocol
2. Create a budget based on client's information
3. Remain objective – no conflicts of interest
4. Detection/Prevention of Fraud and Elder Abuse
5. Sensitive to client's circumstances



III. Counselor Roles and Responsibilities

Counselor responsibilities continued –

6. Issuance of HECM Certificate

7. Assessment of Client Comprehension

- Using Assessment Tool Appendix B.11

8. Following Up with Clients



IV. The Counseling Session

- Information on the Counseling Process
 - Paying for counseling
 - Client referral process
 - Face-to-face counseling
 - Telephone counseling
 - Emergency counseling
 - Issuing HECM certificate



IV. The Counseling Session

Steps in the Counseling Process

Step 1: Intake

Step 2: Counseling protocol

Step 3: Client File Completion

Step 4: Follow-up



IV. The Counseling Session

Steps in the Counseling Process

**Step 1:
Client Intake**

- Client Information
- Disclosures
- Counseling Process
Overview
- Review receipt of
information packet



IV. The Counseling Session

Required Handouts for Clients

- HUD's "Preparing for Your Counseling Session"
- NCOA's Booklet use Your Home to Stay at Home
- Loan printout showing TALC
- Loan printout amortization schedule
- Loan comparison printout



IV. The Counseling Session

Steps in the Counseling Process

Step 2: Counseling Protocol

- Confirm Client data
- Client Concerns & Interest in Reverse Mortgages
- Client Needs/ Circumstances
- Client Eligibility
- Introduction to Features
- Loan Costs & Obligations
- Alternatives & Supplements
- Refinancing/Annuities
- Client Assessment
- Questions & Concerns
- Issue/Withhold the Certificate
- Next Steps

IV. The Counseling Session

Client Assessment Tool



- Assess client's understanding of RM features and alternatives
- Assess client's understanding of obligations and risks
- Assess client's ability to apply information to their unique situation
- 10 questions
- 5 must be answered correctly by client
- If not, counselor must withhold certificate
- Client can reschedule another session, bring family or trusted advisors if appropriate



IV. The Counseling Session

Steps in the Counseling Process

Step 3: Completing the Client File

- Counselors must maintain a separate file for each client
- List of required contents provided in Appendix A.3



IV. The Counseling Session

Steps in the Counseling Process

Step 4: Perform Follow-up

- Counselors must perform follow-up within 60 days
- Includes follow-up phone call/letter, outcome/close-out letter

V. Client Needs and Circumstances



Counselors must discuss -

- Effect of property value on available equity
- Effect of client's age, eligibility and access to equity
- Effect of income on reverse mortgage
- Effect of time in home on costs and obligations
- Using HECM to purchase less costly home

V. Client Needs and Circumstances



Counselors must discuss continued -

- Effect of payment plan options on financial obligations
- Paying off existing mortgage and liens
- Public benefits availability
- Effects of HECM on heirs and estate
- Client scenarios and loan comparisons

VI. Features of a Reverse Mortgage



Loan Features

Reverse Mortgage Products

Loan Limit

Principal Limit

Payment Options

Interest Rate

Leftover Equity

Mortgage Insurance

Retention of Title

Repayment of Debt

VI. Features of a Reverse Mortgage



Loan Costs

Mortgage Insurance Premium

Servicing Fee Set Aside

Third Party Costs (appraisal, credit report,
lender processing fees)

Origination Fee

Financing Closing Costs

Payment Plan Change Fees

Total Annual Loan Cost (TALC)

VI. Features of a Reverse Mortgage



After Closing

Disbursement of funds

Right of rescission

Borrower obligations

Loan payable events

Prepayments

Impact on Public Benefits

Income tax implications

Ability to change payment options

VII. Financial Alternatives and Supplements



Counselors are expected to review alternatives reverse mortgages with clients including -

- Selling and Moving
 - retirement communities
 - home-sharing
 - renting – subsidized and non-subsidized

VII. Financial Alternatives and Supplements



- Other Financial Options
 - Home equity loans
 - IRAs
 - Refinance existing forward mortgage

VII. Financial Alternatives and Supplements



Services provided

- Senior centers
- Nutrition services
- Community programs
 - Home repair and adaptation services
 - In-home care
 - Adult day care
 - Transportation
 - Volunteer coordinator programs
 - Corporate programs
 - Local hospitals
 - Churches
 - Civic groups

VII. Financial Alternatives and Supplements



Public benefits

- SSI
- Medicaid
- Medicare prescription drug program
- Local tax deferral or exemption programs
- The Aging Network
- State Units on Aging
- Area Agencies on Aging

VIII. Reverse Mortgage Counseling Tools



Product Print-Outs/Software

Counselors discuss loan printouts and
amortization schedules from lenders

Counselors can generate on IBIS RMA

Counselors cannot steer clients

Appendix A: HUD Counseling Policies



- HUD's Counseling Certificate
- Paying for Counseling
- Client File Contents
- Participants in Counseling Session
- Client Privacy
- Elder Abuse
- Lender Steering
- Lender Communications
- Lender Activities

Appendix B: Resources for Counselors



- Required Handouts for Clients
- Additional Handouts for Clients
- Sample: Appointment Confirmation Letter
- Sample: Follow-up Letter
- Reverse Mortgage Resources
- Variability of RM Features
- Understanding TALC
- Refinancing a HECM
- Annuities
- RM Alternatives
- Assessing Client's Understanding
- RM Online Comparison Tool

Appendix C: Resources for Clients



- Important Information about RM Counselors
- RM Eligibility Requirements
- HECM Features
- Steps in the RM Lending Process
- RM Warnings for Consumers
- Questions to Ask Your Lender
- RM Borrower Obligations and Checklist
- Using a RM to Buy and Annuity
- RM Counseling Frequently Asked Questions
- How You Can Access Your Home's Equity: Payment Options
- Preparing for Your Counseling Session
- Sample Amendatory Clause and Real Estate Certificate

HECM Counseling Protocol



Questions?