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NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION

Best Business Practices *for* Reverse Mortgage Lenders

Purpose and Overview

The National Reverse Mortgage Lenders Association has developed these Best Business Practices for Reverse Mortgage Lenders to establish the highest standards for customer service and consumer protection in the business of reverse mortgage lending. Our customers, America's senior homeowners, deserve no less. These guidelines include standards for staff knowledge, marketing and consumer inquiry generation, working with the customer throughout the process, compliance with laws and regulations, closing, and disbursement of funds. The Best Business Practices were developed by a Task Force of experienced reverse mortgage lenders.

1. ORIGINATOR KNOWLEDGE BASE

(ALL STAFF WHO DEAL DIRECTLY WITH THE SENIOR AT ANY POINT)

1.1 Originator Hiring

- 1.1.1** Lenders should develop standard job descriptions for originators and should take steps to ensure that all loan officers hired meet the criteria established.
- 1.1.2** Lenders should develop a standard minimum candidate skill set for originators and use it to objectively evaluate candidates. Lenders may include the following, as applicable:
- General Analytical and Reasoning Ability
 - Strong Written and Verbal Communication Skills
 - Good Working Knowledge of Word Processing and Spreadsheet Software
 - Basic Understanding and Knowledge of Computers
 - Ability to Make Presentations to Individuals or Groups
 - Good Listening and Questioning Ability
 - Strong Understanding of Senior Market
 - Understanding of Reverse Mortgage Products, Annuities, and Ability to Illustrate Prospect Scenarios

1.2 Knowledge of RM Products

- 1.2.1** Originators should keep current on the different types of reverse mortgage products that are currently available to seniors.
- 1.2.2** In addition to the “HECM” and “Home Keeper” programs, originators should understand products that may be privately insured and/or not available in all areas.
- 1.2.3** Originators should be able to give informative answers about their own products to a client who is “shopping.”
- 1.2.4** Processing and closing staff should also have sufficient knowledge about the programs that the lender does offer.

1.3 Basic Knowledge of Annuities

- 1.3.1** Because annuities often may be offered in conjunction with a reverse mortgage, originators should have a general working knowledge about annuities.
- 1.3.2** Lenders should not give reverse mortgage loan applicants advice about annuity products and should refrain from referring loan applicants to a specific provider.

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- 1.3.3 The originator should educate loan applicants on the advantages a reverse mortgage may offer to them. The originator should suggest that the applicant consult with a financial advisor and/or annuity provider of their choosing to see if a particular type of annuity product would serve the applicants' specific financial needs.
 - 1.3.4 The originator should recommend to applicants that they inquire about the costs associated with establishing an annuity, the availability of funds, tax implications and the ultimate disposition of unused funds upon the death of the applicant.
 - 1.3.5 Applicants should be offered choices that most closely fit their needs and desires.

1.4 Knowledge of Reverse Mortgage software

- 1.4.1 All staff members of originators who will have contact with applicants should be versed in operation of the software used by the originator.
- 1.4.2 Loan processors and closers should be able to discuss various payment plan options with applicants.
- 1.4.3 All staff that perform underwriting, shipping, insuring and post-closing duties should be familiar with the reverse mortgage software and disclosures that the lender uses.

1.5 Face to Face Training

- 1.5.1 Lenders should ensure that all staff have proper training for the functions they perform.
- 1.5.2 Lenders should conduct day-to-day hands-on training for origination and processing staff to ensure understanding of the various aspects of reverse mortgages.
- 1.5.3 Cross training opportunities should be explored to ensure that staff involved in various parts of the process act as a team. For example, new originators should spend time in processing and closing departments, in order to be familiar with internal procedures involved with the loan file once the application has been taken.
- 1.5.4 New originators should then "shadow" several experienced originators to help them learn effective sales techniques, ideas for consumer inquiry generation, and how to obtain a complete loan application.
- 1.5.5 Lenders new to the reverse mortgage process should consider asking their servicing company about training programs available for origination and processing staff.

1.6 Fair Lending and Regulatory Compliance

- 1.6.1 All staff members that are involved with the origination and processing of reverse mortgages should be knowledgeable about state and federal fair lending laws and regulatory compliance issues, including the Fair Housing Act and the Equal Credit Opportunity Act and its implementing regulation, Regulation B.
- 1.6.2 Department managers should ensure that staff members are kept up to date on changes to these laws and regulations and ensure that correct procedures are being followed.

2. Marketing

2.1 Advertising

- 2.1.1 All advertisements should follow guidelines set forth by applicable state laws and regulations.
- 2.1.2 “Equal Housing Lender” and/or “Equal Housing Opportunity” logos should be placed on all advertisements and should follow the appropriate standards for advertising size.
- 2.1.3 Better Business Bureau (BBB) logos and marketing copy from other like organizations (e.g. AARP) should never be used without explicit written permission from those entities.
- 2.1.4 Proper usage of the mortgage lending institution’s name should be printed clearly on all advertisements.
- 2.1.5 Advertising should provide a clear distinction between the reverse mortgage transaction and other secondary transactions such as sales of life insurance products or annuities.
- 2.1.6 Lenders that market insurance products should ensure compliance with all insurance license disclosure requirements on business cards and in advertisements.
- 2.1.7 Copies of all advertisements should be kept on file for reference during audits.
- 2.1.8 Lenders should follow all state-specific guidelines for retention of advertising records.

2.2 Collateral Materials

- 2.2.1 Lenders should ensure that proper disclosures and/or licensing statements are listed in plain view and proper font size for clear reading.

2.2.2 Appropriate mortgage lending logos and/or affiliations/associations should be used only with approval.

2.3 Telemarketing

2.3.1 When creating telemarketing scripts, lenders or the marketing firm used should refer to Federal Communications Commission guidelines for avoidance of telemarketing fraud. Any telemarketing firm will have access to this information.

2.3.2 Lenders should ensure that telemarketing firms they use are properly registered and/or licensed to conduct telemarketing activities.

2.4 Websites

2.4.1 Lenders should be cognizant of the needs and likely computer capabilities of seniors in designing a Website. Websites should be designed for ease of use, readability by consumers who may have impaired vision, minimal software and modem requirements, etc.

2.4.2 Lenders should be cognizant that Internet marketing constitutes international marketing, and ensure that all relevant disclosures and licensing acknowledgements are correct.

2.5 Other direct marketing

2.5.1 Lenders should not engage in false, misleading or deceptive advertising. This includes, but is not limited to direct mail marketing advertising that utilizes:

- an “official-looking” emblem or logo such as an eagle, crest or flag which resembles a format similar to that used by any governmental agency;
- envelopes which resemble official government mailings, such as the IRS, U.S. Treasury, Social Security Administration, a State taxing authority, or other governmental mailer;
- slogans such as “BUY U.S. Savings Bonds” unless there also appears in type of equal size and style a clear statement that the mailing is not from a government agency;
- any reference to a financial institution or the holder of an existing loan other than the solicitor;
- any representation that the solicitor is associated with or affiliated with any agency, bank thrift institution, credit union, finance company or lender other than the solicitor.

2.6 Solicitation of refinances

2.6.1 Lenders should not solicit refinances of reverse mortgages solely to generate additional fees.

2.6.2 Lenders should fully inform borrowers of all costs and benefits associated with a proposed refinance, and ensure that borrowers understand the costs and benefits before agreeing to a refinance.

2.7 Use of mortgage brokers and correspondents

2.7.1 Lenders should follow all RESPA guidelines for seeking, utilizing, and compensating those performing settlement services for it or for the borrower.

2.7.2 Lenders should thoroughly investigate all loan sources and ensure such sources are reputable businesses.

2.7.3 Lenders should follow HUD guidelines for utilizing and compensating correspondents.

2.7.4 Lenders should ensure that any brokers originating reverse mortgages for them are properly licensed by the State, if required, and approved HUD correspondents, if they are originating HECM loans.

2.7.5 Lenders should exercise due diligence in choosing brokers and correspondents, ensuring that the companies and their staff are properly trained, and in compliance with the NRMLA Code of Conduct.

3. WORKING WITH THE CUSTOMER THROUGH THE PROCESS

3.1 Discussing Competitors

3.1.1 A lender's representative should explain to the customer the benefits of that lender's products and refrain from discussing or characterizing other lenders' products, staff, or business practices.

3.2 Explaining Products

3.2.1 The originator should explain the lender's products to the customer and make a recommendation based on the product that best fits the customer's stated financial needs and goals.

3.2.2 Lenders should not recommend a loan product solely because that product provides greater fees to the lender.

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- 3.2.3 Lenders should not require, or attempt to coerce, the borrower to purchase any ancillary product in conjunction with the reverse mortgage.

3.3 Taking the Application

- 3.3.1 Applications should be taken face to face; however, it is recognized that this is not always possible.
- 3.3.2 Applications should always be taken according to the established guidelines for the reverse mortgage product being originated.
- 3.3.3 The originator should explain the reverse mortgage products to the applicant (see explaining products), and explain all fees.
- 3.3.4 The originator should ensure that borrower(s) have completed the required counseling and get a copy of the counseling certificate, before completing the application.
- 3.3.5 The originator should explain the application process and timeframes and tell the applicant(s) whom they can contact with questions.
- 3.3.6 The originator should explain the appraisal process, including what would be required if repairs are necessary, also, if known, the lender should give the applicant(s) the name of the appraisal firm.
- 3.3.7 The originator should explain the necessity of timely payment of property taxes and insurance premiums, and inform the applicant(s) that they may have the lender pay the charges out of loan proceeds or pay themselves out of their own funds.
- 3.3.8 Originators who solicit applications from senior homeowners with tax delinquencies should ensure that the applicants will have sufficient income to continue making their tax payments after using all the reverse mortgage proceeds.
- 3.3.9 The originator should completely explain all application forms and documents.
- 3.3.10 The applicant(s) should be given copies of all application documents for their records as well as a sample of the closing documents to review.

3.4 Including Children and Other Financial Advisors in the Process

- 3.4.1** Lenders should encourage the inclusion of the applicant's children or other financial advisors that the applicant(s) might want to have information about the reverse mortgage and assist with their decisions.
- 3.4.2** Lenders should be cautious about any third party fees that might be charged by a financial advisor. Lenders should follow HUD rules that prohibit use of loan proceeds to pay a third party for estate planning services.
- 3.4.3** Lenders should encourage applicants to appoint a party close to them to assist the lender in resolving any delinquencies or other problems with payment of property taxes and insurance premiums.

3.5 Answering Questions During Processing

- 3.5.1** Lenders should take care to respond to all questions with complete and accurate information, and ensure to the best of their ability that the applicant has understood the answers.
- 3.5.2** When possible, written information should be provided to explain answers to questions.

3.6 Explaining Date and Procedure for Disbursement/Initial Draw

- 3.6.1** Lenders should explain the rescission waiting period for disbursement of funds after closing, as well as timeframes and methods for receiving payments, (ACH or by check) or access to funds from the line of credit.
- 3.6.2** Lenders should also provide information about the servicing of the loan.

3.7 Providing Disclosures and Accurate Estimates of Closing Costs

- 3.7.1** Lenders should provide applicant(s) a complete and accurate estimate of closings costs and fees for the reverse mortgage product applied for.
- 3.7.2** All costs associated with the loan should be disclosed, including the cost of any ancillary products to the reverse mortgage.
- 3.7.3** Lenders should provide a written TALC and all required brochures at the time of application or within three days of the receipt of the application.
- 3.7.4** Lenders should give a complete explanation of the TALC and of all fees, especially the FHA Mortgage Insurance Premium, with the purpose and benefits of the insurance.

3.8 Referring to Counselor for HECM Loan

- 3.8.1** Lenders should explain the requirement for counseling with the HECM product and provide applicant(s) with a list of available qualified HUD-approved counselors.
- 3.8.2** Lenders should ensure that the applicant(s) receive the counseling before the application is taken, the appraisal is ordered, or any fees are collected.

3.9 Transferring Case Number to Another Lender

- 3.9.1** If an applicant requests a change of lenders, the current lender should facilitate the change in a professional manner with the best interest of the customer in mind. The lender should take all precautions to ensure that the reputation of the lender and the reverse mortgage industry is maintained.

3.10 No Provision of Counseling Certificates by Lender

- 3.10.1** Lenders should not provide a blank or completed HECM Counseling Certificate to the applicant. The Counseling Certificate must be obtained by the applicant directly from the counselor, and must be properly completed and signed by the counselor.

4. CLOSING / DISBURSEMENT OF LOAN PROCEEDS

4.1 Selecting an Attorney/Closing Agent

- 4.1.1** Lenders should allow the borrower to choose the closing agent in those states that do not allow the lender to choose the agent and require that the borrower choose their own closing agent. This requirement may include a disclosure to assure compliance with the regulation.
- 4.1.2** In those states where the lender is allowed to choose an agent, the settlement agent (usually a title or escrow company) should have reasonable and customary closing costs, several office locations to choose from, the willingness to accommodate “in-home” closings and good customer service for post-closing issues.
- 4.1.3** Lenders should consider choosing more than one closing agent firm so as to cover a larger geographic area with their combined office locations.
- 4.1.4** Lenders should seek to obtain referrals of qualified attorneys or Closing Agents from other lenders and customers.

4.2 Educating the Attorney/Closing Agent

- 4.2.1 Lenders should give a new attorney or agent its full Reverse Mortgage information package explaining all of the programs it offers.
- 4.2.2 Lenders should also give the attorney/agent a copy of a typical closing package, advertising videos and Fannie Mae's Reverse Mortgage Selling & Servicing Guide (HI065L02/96).
- 4.2.3 Lenders should make sure the attorney/agent has a complete understanding of the RM programs and all closing documents.

4.3 Getting the Attorney/Agent approved by the wholesaler

- 4.3.1 The correspondent should provide the wholesale lender the necessary information in order to obtain approval of the attorney/closing agent. This may include:
 - Resume
 - Evidence of Errors and Omissions insurance
 - Insured Closing Letter
 - Information on fees

4.4 Re-verification of Documents before closing

- 4.4.1 Prior to scheduling a loan for closing, the closer should make sure that all of the required documentation is in the file. This includes, but is not limited to:
 - Inspection report
 - Repair estimate (if necessary)
 - Any document that may be required by the underwriter as a condition of closing
 - Check Sheet
 - Accuracy of Address
 - Accuracy of Name (matching title)
 - Accuracy of Zip Code
 - Birthdays
 - Maturity Date
 - Settlement Date
 - Rescission Date
 - Legal Description
 - Disbursement Amounts (cash to customer, payoffs, etc.)

4.5 Disclosures

- 4.5.1 The lender's closer should add and/or ensure that the final disclosures from the reverse mortgage software are included in the final loan package and that the final typed loan application is properly completed.
- 4.5.2 The closer should give the borrower(s) a complete set of documents.
- 4.5.3 The lender should provide the closer a Checklist of all documents/ disclosures to be signed by the borrower(s) at closing.
- 4.5.4 The closer should leave the borrower(s) any information required by a wholesale lender or investor.

4.6 Explaining the Closing Documents

- 4.6.1 When scheduling the closing appointment, the closer should explain to the borrower(s) the type of documents they will be signing and that all borrowers need to be present.
- 4.6.2 The closer should inform the borrower(s) that if they have any questions regarding the documents at the time of closing and the settlement agent does not know the answer, they should contact the lender's office.
- 4.6.3 The closer should be instructed to go over each document carefully with the borrower(s), allowing for questions.
- 4.6.4 The borrower(s) should initial the documents after review and after any questions are satisfactorily answered.
- 4.6.5 The borrower(s) should receive copies of all the documents that they sign at the closing to review during the rescission period.

4.7 Explaining Closing Costs

- 4.7.1 The closer should go over the final closing costs with the borrower at least 24 hours prior to closing, including:
 - Acknowledgment of Services Provided by Correspondent
 - Excessive Fee Disclosure
 - Truth in Lending Disclosure

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- 4.7.2** The fees listed on the final settlement statement should closely resemble those that were disclosed on the Good Faith Estimate at the time of loan application.
- 4.7.3** The closer should explain that the final figures will be documented on the HUD-1 Settlement Statement, which the borrower(s) will receive as part of the closing documents.

4.8 Explaining Taxes/Insurance

- 4.8.1** Lenders should provide all borrowers the option to have the lender pay property taxes and insurance premiums out of loan proceeds, or to pay the charges themselves out of their own funds. Lenders should have borrowers complete and sign a disclosure prior to closing, stating that they have been informed about their options and have freely chosen which method of payment they prefer.
- 4.8.2** The closer should explain any escrow set-aside for taxes/insurance:
- For example, if taxes/insurance are in default, the lender should explain the terms and conditions under which it will hold amounts in escrow to cover such payments.
 - If the borrower elects to have the lender pay property taxes and insurance premiums, the lender should explain to the borrower how such payments will be made and how any discrepancies between the amount withheld and the actual charges will be rectified.
- 4.8.3** If the borrower elects to pay property taxes and insurance him/herself, the lender should inform the borrower that he/she will be required to provide proof of payment upon request, and that if charges are not paid in a timely manner, the servicer may pay such taxes and/or insurance premiums and add such amounts to the borrower's indebtedness.

4.9 Advising the borrower about the closing process

- 4.9.1** When the closing appointment is set up, the closer should provide the borrower(s):
- The location, landmarks, map or directions to the office where the closing will take place. If the closing is to be at the borrower's home, the closer should be given a map or clear directions to the home.
 - Time of closing and amount of time scheduled for closing
 - Parking availability, including handicapped parking
 - Accessibility of location for handicapped
- 4.9.2** The closer should let the borrower(s) know it is acceptable and expected that the borrower will ask questions at closing.

4.9.3 The closer should tell the borrower(s) to be sure to bring proper identification to closing.

4.9.4 The closer should assure the borrower(s) that someone from the lender's office will be there if the borrower(s) requests it.

4.10 Initial disbursements and set asides

4.10.1 The closer should explain to the borrower(s) the exact amount and type of funds being disbursed at closing from their reverse mortgage, including:

- Total closing costs
- Lien payoffs
- Initial draws
- Any funds being held in a tax/insurance escrow
- Repair set aside (if any)
- Servicing fee set aside
- Payment of delinquent taxes

4.10.2 The closer should explain how and when those funds are disbursed and by whom.

4.11 Explaining Rescission Rights/Disbursement Date After Rescission Period

4.11.1 The closer should make sure the borrower(s) understands that their reverse mortgage is considered a "refinance transaction" and therefore subject to a rescission period.

4.11.2 The borrower(s) should be told that funds will not be disbursed and that they are not obligated on the loan until the fourth business day from the date they sign the closing papers, assuming they have not exercised their right to cancel. This is especially important if the borrower is taking an initial draw at closing, as they may expect to get their funds on the date they sign.

4.11.3 The closer should show the rescission document to the borrower(s) and make sure the borrower(s) understand their rights

4.12 Explaining the Role of the Servicer

4.12.1 The closer should advise the borrower regarding the servicing entity and give an overview of what servicing entails.

4.12.2 The closer should explain to the borrower that they will receive a disclosure in their closing papers that describes who the servicing agent is, where it is located and its telephone number.

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- 4.12.3** The closer should explain the Servicing Fee and what it covers.
- 4.12.4** The closer should explain statements, monthly checks, and Line of Credit advances, including:
- Statements are sent on a monthly basis
 - Monthly checks may be received by direct deposit or by mail
 - Initial Disbursement
 - Who to contact for disbursements
 - How to get future advances
 - How to make a payment plan change, if desired
- 4.12.5** Prior to closing, the closer should confirm how the borrower wishes to receive the funds and explain the time periods involved with funding/disbursements.
- 4.12.6** The closer should restate the 30-day delay for first disbursement if a Line of Credit is set up.
- 4.12.7** If there is a repair setaside, the closer should explain to the borrower(s) that it may take up to 30 days after closing before funds are available.
- 4.12.8** If there will be repairs, the closer should determine whether the borrower desires, requires, or wishes to obtain initial up-front funds.
- 4.12.9** The lender should develop and distribute a “Frequently Asked Questions” list or other written guidance that clearly explains the repair process.
- 4.12.10** The closer should explain any escrow amounts that will be held by the lender for repair work along with any related re-inspection fee.
- 4.12.11** The closer should inform the borrower that it will take up to 30 days to set up the escrow account.
- 4.12.12** The closer should explain the process of obtaining funds from the set aside to pay for repairs as they are completed.
- 4.12.13** The closer should explain to the borrower that a re-inspection is required before releasing set-aside funds.
- 4.12.14** Lenders should make repair checks payable to both the borrower and the contractor.

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