

Section A. HECM Counseling Session Requirements

Overview

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1. General Information on Requirements for the HECM Counseling Session

Introduction This topic contains general information on the requirements for the HECM counseling session, including

- general knowledge/skill requirements for counselors conducting housing counseling sessions
- conducting counseling sessions with a person who holds a POA or is a guardian/conservator
- asking questions to review the client’s level of understanding before issuing the Counseling Certificate, and
- providing alternatives when the counseling certificate is withheld.

Change Date March 18, 2011

**PROTCL
5.A.1.a
General
Knowledge/
Skill
Requirements
for Counselors
Conducting
Housing
Counseling
Sessions**

In addition to understanding reverse mortgage products and keeping up-to-date with the market, counselors must be able to work with a diverse group of potential borrowers with varying levels of education and financial literacy.

Each counseling session *must* consist of a discussion of reverse mortgage features that is tailored to the client’s specific abilities, needs and financial goals.

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1. General Information on Requirements for the HECM Counseling Session, Continued

**PROTCL
5.A.1.b
Conducting
Counseling
Sessions With a
Person Who
Holds a POA or
Is a Guardian/
Conservator**

The table below discusses HUD’s policies regarding conducting a counseling session with a person who

- holds a durable power of attorney, or
- is a guardian/conservator.

Type of Individual	Counseling Session Policy
Person holding a durable power of attorney (POA)	<p>The counseling session may be conducted with a person holding a durable POA for the client. A person holding a durable POA specifically designed to survive incapacity may execute necessary loan documents, including HUD Form 92902, Certificate of HECM Counseling.</p> <p>To be valid, the legal documents establishing the durable POA must be prepared when the homeowner is competent to understand the nature of the arrangement.</p> <p><i>Note:</i> If the counselor suspects that the POA is fraudulent or that the agent is abusing the use of the POA, the counselor must refer the client to the HUD Homeownership Center (HOC) in that region.</p>
Guardian/Conservator	<p>If a court has judged the homeowner to be legally incompetent (that is, incapable of decision-making)</p> <ul style="list-style-type: none"> • the loan documents may be executed by a court-appointed guardian/conservator, and • the reverse mortgage counseling may be conducted with the guardian/conservator present.

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1. General Information on Requirements for the HECM Counseling Session, Continued

**PROTCL
5.A.1.c
Asking
Questions to
Review the
Client's Level
of
Understanding
Before Issuing
the Counseling
Certificate**

To review a client's understanding of reverse mortgages, counselors must ask ten questions interspersed throughout the session. The questions, selected from the list in [HECM Protocol 7.B.10](#), must be

- relevant to the client's situation, and
- asked in the spirit of a review throughout the counseling session, rather than an exam at the end of the session, in order to avoid intimidating or insulting the client.

If the client cannot answer five of the ten questions correctly in the first session, the counselor must

- withhold the certificate, and
- note in the client's file
 - that the certificate was withheld, and
 - the reason why it was withheld.

Note: The counselor may discontinue the session without issuing the certificate if it is apparent early in the counseling session that the client is not able to understand the material.

Reference: For information on the appropriate course of action in this case, see [HECM Protocol 7.B.10](#).

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1. General Information on Requirements for the HECM Counseling Session, Continued

**PROTCL
5.A.1.d
Providing
Alternatives
When the
Counseling
Certificate Is
Withheld**

When the certificate is withheld in the first counseling session, the counselor must provide one or more of the alternatives below to the client:

- offer to call the client back at another time (for example, the next day at a different time of day)
- ask if there is someone else the client could bring with him/her that he/she trusts, or who could join in a phone counseling session, or
- suggest that the client meet face-to-face with another counselor and assist the client with finding another HECM roster counselor

If, after all options are exhausted, the client is still not able to answer five out of ten questions correctly, the counselor must offer the client additional time to further understand reverse mortgages. A counselor cannot issue a certificate if the client has not answered five out of ten questions correctly.

2. Use of Reverse Mortgage Counseling Tools: Product Printouts and Software

Introduction This topic contains information on the use of reverse mortgage counseling product printouts and software, including

- providing clients with required documents and the use of client scenarios/loan comparisons
 - use of product printouts/software during the counseling session
 - requirements for acceptable loan comparison software, and
 - a caution to the counselor on steering toward a specific product.
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2. Use of Reverse Mortgage Counseling Tools: Product Printouts and Software, Continued

**PROTCL
5.A.2.a
Providing
Clients With
Required
Documents and
Use of Client
Scenarios/Loan
Comparisons**

Prior to conducting the counseling session (except in an emergency), the counselor, the counseling agency, or lender must provide the client with

- a loan summary
- an amortization schedule, and
- comparisons of the different reverse mortgage loans available to the client.

Counselors must use loan comparison software that generates a set of loan options to help clients understand

- what a reverse mortgage requires
- the timing of payments in a reverse mortgage, and
- the purposes and benefits of the loan.

Note: If the client is

- seeking *general information only*, then the counselor should use loan examples, or
- interested in a *particular loan or loan feature*, the counselor should use this information in addition to providing examples of loans with different features for comparison.

Reference: For more information on loan comparison software, see [HECM Protocol 7.B.11](#).

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2. Use of Reverse Mortgage Counseling Tools: Product Printouts and Software, Continued

PROTCL**5.A.2.b****Use of Product Printouts/ Software During the Counseling Session**

During the course of the counseling session, counselors

- may discuss loan printouts and amortization schedules given to the clients by lenders (*Note:* If the lender provides the information packet to the client, the lender must provide the counselor with copies of the same loan comparison print-outs that were provided to the client. The counseling session cannot be held until the counselor has a copy of the loan comparison print-outs provided by the lender.)
- may also generate and discuss amortization schedules and loan comparisons they develop using
 - an available reverse mortgage calculator (*Reference:* See [HECM Protocol 7.B.11](#), or
 - other available software
- must explain to clients that the printouts are generalized because actual costs and pricing of the loan fluctuates and is dependent on the loan product, and
- should provide a balanced view by providing customized loan printouts to clients on
 - HECM products that are widely available from many HECM lenders
 - proprietary products that are broadly offered by reverse mortgage lenders, and
 - specific proprietary or HECM products that have been offered to that client by a reverse mortgage lender.

Additionally, counselors must

- answer questions about the loan printouts and product features
- be sensitive when helping their clients analyze and compare the financial implications of the loan choices they are considering, and
- help clients understand which features are most appropriate, given the clients' unique financial circumstances.

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2. Use of Reverse Mortgage Counseling Tools: Product Printouts and Software, Continued

**PROTCL
5.A.2.c
Requirements
for Acceptable
Loan
Comparison
Software**

Acceptable software must provide

- future remaining credit line projections based on credit line draws specified by the client (if the client selects a credit line)
- a comparison of estimated loan details at closing
- projected loan comparisons at various points in the future, including projected figures for
 - total cash received
 - cash remaining, and
 - total cost expressed in terms of total dollars and a total annual average rate
- amortization projections for selected products with year-by-year details (the loans negatively amortize: as the loan balance increases, equity decreases), and
- the required investment for HECM purchase loans.

Available software can be found by going to www.hecmresources.org.

Note: Only counselors on the HECM Counselor roster may use this software.

**PROTCL
5.A.2.d
Caution to the
Counselor on
Steering
Toward a
Specific
Product**

Counselors must be cautious not to steer clients toward or away from any particular proprietary or HECM product.
