August 26, 2013

TO: ALL HUD-APPROVED HOUSING COUNSELING AGENCIES; All HUD APPROVED LENDERS

SUBJECT: Changes to Home Equity Conversion Mortgage Program (HECM) Counseling Protocol Compliance

The recently signed HECM Stabilization Act authorized HUD to issue new policy and guidance for the HECM program. HUD is aware of recent advertising where lenders are encouraging prospective borrowers to take advantage of the current program before the policy changes take effect. HUD anticipates that counseling agencies will see a short term increase in request for counseling sessions. This communication reviews and emphasizes the protocol requirements for thoroughness of counseling sessions. It also addresses the protocol for emergency counseling. Counselors cannot use the anticipated program changes as justification for conducting emergency counseling.

In addition, it also serves as a reminder to lenders on the restrictions for contacting counseling agencies on behalf of prospective borrowers.

Protocol

All HUD approved housing counseling agencies who engage in reverse mortgage counseling are reminded that they must adhere to all the requirements of the HECM counseling protocol stated in HUD Handbook 7610.1 REV-5, Appendix 4. Strict adherence to the procedures outlined in the protocol insures that all clients receive a complete and thorough counseling session. In structuring an individual counseling session for a client or clients, counselors must plan for sufficient time to meet this requirement. Due to the depth of the requirements in the protocol, HUD expects the average counseling session to have duration of **no less than one hour to one and half hours** with the clients, or more as needed, particularly when using telephone counseling.

The key tools required by the protocol are the use Reverse Mortgage Analyzer and Financial Interview Tool. The Benefits Check-up is required for all HECM clients at or below 200% of the Federal Poverty Level and to any other client upon request. The use of these counseling tools must be reflected in the clients counseling file and/or Client Management System. For sessions being conducted under any emergency counseling provision, the client files must also contain supporting documentation that meet the requirements of Section III, Counseling Session, Emergency Counseling, page 83 of the Handbook 7610.1 Rev-5, Appendix 4, noted below.

Emergency Counseling

Emergency counseling is HECM counseling that occurs without the client scheduling an appointment in advance. The client may receive emergency counseling by phone or in person only if:

- The client is in imminent danger of losing his or her home; or
- The client requires access to funds for impending medical treatment, and he or she is not able to access these funds without obtaining proceeds from a HECM.

Lender Steering and Direct contact with Counseling Agencies

Handbook 7610.1 Rev-5, Chapter 4, Paragraph 4-11, also addresses lender steering. Specifically the referenced handbook states “the lender may not steer, direct, recommend or otherwise encourage a client to seek the services of any one particular counselor or counseling agency. Lenders are required to give every client a list of HECM counseling providers that includes the national intermediaries providing telephone counseling and five agencies in the local area and/or state of the client with at least one of the local agencies located within a reasonable driving distance for face-to-face counseling”. Counseling agencies and counselors who are aware of lenders engaging in this prohibited practice must inform HUD so that appropriate action can be taken. Agencies and counselors participating in this practice may be subject to sanctions as determined by HUD.

As counselors are aware, lenders are not permitted to have direct contact with counselors on behalf of the client. As noted below in Section III, Counseling Session, page 82 of the Handbook 7610.1 Rev-5, Appendix 4: The lender may not contact a counselor or counseling agency to:

1. Discuss a client’s personal information, including timing or scheduling of the counseling;
2. Request information regarding the topics covered in a counseling session; or
3. Check on the progress of the counseling session.

Lenders may contact an agency to have corrections made to HECM certificates that were issued by the agency.

Similarly, counselors and counseling agencies may not discuss any of these topics with a lender. To report instances where the lender is attempting to influence the outcome of the counseling session, counselors may contact HUD's Office of Inspector General Hotline by:

Phone: (800) 347-3735

Email: HOTLINE@hudoig.gov

FAX: (202) 708-4829.