



# HECM 101: Understanding the Protocol

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# Presenters

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# Webinar Logistics

- Welcome
- Webinar is being recorded.
- The webinar will be posted in 7-10 days.
- Handouts will be sent out after webinar.

Today, we will be reviewing the HECM Protocol chapter by chapter to help counselors navigate the protocol and understand the changes.





# How do I ask questions?

Please submit your questions and comments in the CHAT box or use the Raise Your Hand tool at the end of the webinar.

Email questions to [housing.counseling@HUD.gov](mailto:housing.counseling@HUD.gov)







# David Berenbaum

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Deputy Assistant Secretary  
HUD Office of Housing Counseling





The HECM is the FHA's reverse mortgage program that enables eligible participants to withdraw a portion of their home's equity to use for home maintenance, repairs, or general living expenses.

HECM borrowers may reside in their homes indefinitely as long as property taxes and homeowner's insurance are kept current.

**Before we begin this webinar ... we have a ...**



# The HECM Game Show!

## What Year did this happen?

The very first reverse mortgage is written to Nellie Young in Portland, Maine by Nelson Haynes of Deering Savings & Loan. Haynes designs this unique type of loan to help the widowed wife of his high school football coach to stay in her home after losing her husband.

- 1961
- 1986
- 1953
- 1972

# The HECM Game Show!



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a. 1961



# Who made this happen?

In 1983, the first congressional hearing concerning Reverse Mortgages took place. The Senate approved a proposal (by which Senator) to have reverse mortgages insured by the Federal Housing Administration (FHA).

Hint: This Senator shares a famous last name with a popular ketchup producer.

- Sam Hunt
- John Heinz
- Carlo Del Monte
- Robert “Red” Gold

# The HECM Game Show!



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Hint: This Senator shares a famous last name with a popular ketchup producer.

- a. John Heinz



# Who made this happen?

HUD gains the authority to insure reverse mortgages through the FHA when which President signs the reverse mortgage bill into law?

- Jimmy Carter
- Ronald Reagan
- Lyndon Johnson
- Joe Biden

# The HECM Game Show!

# Who made this happen?

HUD gains the authority to insure reverse mortgages through the FHA when which President signs the reverse mortgage bill into law?

- a. Ronald Reagan





# What Year did this happen?

The James B. Nutter Company issued America's first FHA-insured Home Equity Conversion Mortgage (HECM) to Majorie Mason in Kansas City, Missouri.

- 2002
- 1989
- 1995
- 1999

# The HECM Game Show!

## What Year did this happen?

The James B. Nutter Company issued America's first FHA-insured Home Equity Conversion Mortgage (HECM) to Majorie Mason in Kansas City, Missouri.

a. 1989





How many years have gone by? (Hint: Do the math)

In 1998, the HUD Appropriations Act was passed. Congress (finally) allocates funds for counseling, outreach, and consumer education.

How many years have transpired since that first reverse mortgage issuance of 1961?

- 28 years
- 30 years
- 37 years
- 46 years

# The HECM Game Show!



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How many years have transpired since that first reverse mortgage issuance of 1961?

a. 37 years





## HECM Counseling Protocol

# HUD Handbook 7610.1: What is the difference between Chapter 4 and the HECM Protocol?



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Chapter 4 is a general overview of reverse mortgages including the FHA insured HECM.

The HECM Protocol covers the details and features specifically of the HECM product, the counseling requirements for before, during, and after securing a HECM, resources for counselors, and all required handouts for clients.

## APPENDIX 1: HECM Counseling Protocol

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# What is a Home Equity Reverse Mortgage (HECM)?

- A HECM is the only reverse mortgage insured by the U.S. Federal Government and is only available through a Federal Housing Administration (FHA) approved lender.
- The protocol provides standardized guidance for HECM counselors providing counseling on HECMs.
- Counselors must comply with this guidance to issue a Certificate of HECM Counseling.
- FHA requires that all HECM borrowers obtain HECM housing counseling. Non-borrowing spouses must also attend the required HECM counseling session with a HUD-approved housing counselor.





# Understanding the Protocol

# Chapters 1 and 2

**Tracy Badua**

Senior Housing Program Officer



# Chapter 1: Objectives of Housing Counseling

The purpose of this protocol is to provide standardized guidance for HECM counselors providing counseling on FHA Home Equity Conversion Mortgages (HECM), as required by National Housing Act Section 255(f) (12 U.S.C. 1715z-20). Counselors must comply with this guidance to issue a Certificate of HECM Counseling.

Think about this like fruit. All apples are fruit, but not all fruit are apples. A HECM is a reverse mortgage, but not all reverse mortgages are HECMs.





# Chapter 1: Objectives of Housing Counseling

The objective of HECM counseling is to educate clients on:

- How HECMs and other proprietary reverse mortgages work;
- The implications of and alternatives to a HECM or another reverse mortgage; and
- The appropriateness of a HECM or other reverse mortgage for the clients being counseled considering their unique personal and financial situation.



# Chapter 2: HECM Counselor Roles and Responsibilities

The HECM counselor's role is to educate the client about the features of HECMs and reverse mortgages and the appropriateness of a HECM, reverse mortgage, or other financial options to meet the client's needs.

Responsibilities include:

- Compliance with the HECM Protocol and HUD Guidance
- Client Education on HECMs, Reverse Mortgages, and Relevant Financial and Housing Options



# Chapter 2: HECM Counselor Roles and Responsibilities

The HECM counselor's role is to educate the client about the features of HECMs and reverse mortgages and the appropriateness of a HECM, reverse mortgage, or other financial options to meet the client's needs. The counselor must consider each client's unique needs and circumstances and remain objective when discussing the appropriate options for the client.

## **Responsibilities include:**

- Objectivity, with No Conflicts of Interest
- Sensitivity to Clients' Circumstances
- Reviewing the Client's Level of Understanding
- Detection and Prevention of Fraud and Elder Abuse (includes action)
- Following Up with Clients



# Understanding the Protocol

# Chapters 3-7

**Terri Ames**

Housing Program Specialist



# Chapter 3: The HECM Counseling Session

Counselors must understand HECMs and reverse mortgage products, be aware of market trends, and must also 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 HECM and reverse mortgage features that is tailored to the client's specific abilities, needs and financial goals.

## Steps in the HECM Counseling Process

- Intake
- Counseling session
- Client file update
- Follow up



# Chapter 3: Counseling Session Protocol

## Pre-appointment:

An appointment confirmation letter and required information package is sent to client.

## Step 1: Intake

Client information is collected including any additional participants. Objectives are established, disclosures for fees are discussed, and any additional client assistance needs are identified.

## Step 2: Conducting the Counseling Session

The counselor is required to discuss each of the protocol elements, with attention to the relevance of each element to the client's specific situation. The counselor must ensure that the client understands each element and its implications.

## Type of Counseling

- Face-to-face counseling
- Telephone counseling
- Virtual counseling
- Emergency counseling



# Chapter 3: Counseling Session Protocol

## **Step 3: Completing the Client File**

Counseling agencies must maintain a separate, confidential file for every client. The counselor must ensure that paper and electronic files are stored securely, and only accessible to authorized individuals.

## **Step 4: Follow-up**

The counselor should make reasonable efforts to conduct a verbal follow-up within 60 days after the counseling session (in person, live video or telephone).

## **Step 5: Preparing and Sending the Certificate of HECM Counseling**

Counselors issue the Certificate of HECM Counseling (HUD-92902) after the borrower successfully completes the counseling session.

# Chapter 4: Client Needs and Circumstances

Counselors must consider clients' diverse needs and circumstances when conducting the counseling session. Counselors need to be able to discuss the following topics, with reference to the clients' specific circumstances.

Discussions on how the following affect eligibility and access to equity:

- Property Value
- Borrower's Age
- Income and Credit Requirements
- Length of Time Remaining in the Home
- Payment Plan Options



# Chapter 4: Client Needs and Circumstances

**Additional considerations in eligibility and access to equity:**

- Non-Borrowing Spouses
  - HUD Handbook 4000.1; Title II Insured Housing Programs, Home Equity Conversion Mortgages
- Borrower's Heirs and Estate
  - Reverse mortgage borrowers who remain in the home for many years may use a large part of their home equity, reducing the amount they can leave to their heirs.





# Chapter 5: Features of a Reverse Mortgage

The HECM counselor's role is to educate the client about the features of HECMs and reverse mortgages and the appropriateness of a HECM, reverse mortgage, or other financial options to meet the client's needs.

Responsibilities include:

- Compliance with the HECM Protocol and HUD Guidance
- Client Education on HECMs, Reverse Mortgages, and Relevant Financial and Housing Options



# Chapter 5: Features of a Reverse Mortgage

Counselors must discuss the features of the HECM or reverse mortgage that are relevant to their client's situations or interests. Chapter 5 covers the important policies in getting a HECM.

For example:

- **Property Eligibility:** Counselors must be aware of HUD program changes concerning the eligibility of different property types, as these requirements may change over time. There may be required repairs or modifications identified to maintain habitability as they age. The protocol contains a list of eligible property types and ineligible property types.
- **Client Eligibility:** All HECM borrowers must be 62 or older. Borrowers must maintain their principal residence in the property securing the HECM loan.
- **Loan Features and Costs:** The protocol takes a deep dive into servicing the loan, loan limits, interest rates, equity, mortgage insurances, other fees and costs, and the retention of title.
- **After Closing Activities:** Disbursement, borrower obligations, takes, and insurance.

For more details on HECM servicing and origination, see HUD Handbook 4000.1; Title II Insured Housing Programs, Home Equity Conversion Mortgages.

# Chapter 6: HECM for Purchase

HECM for Purchase requires counselors to not only cover the typical HECM counseling requirements with clients, but also include the unique features for this product.

Counselors should refer to the program guidance provided in HUD Handbook 4000.1; Title II Insured Housing Programs, Home Equity Conversion Mortgages.

## Why HECM for Purchase? Examples ...

- You want to preserve your assets but still operate like you paid cash for the property.
- You want to upgrade to a property that would be unattainable based on the equity in your current property, and you cannot go into debt at this stage of your life to support the new, nicer residence.
- Your current home no longer meets your needs either because of its physical location or characteristics/limitations, but you cannot pay cash for a new home, and your budget will not support new house payments.



# Chapter 7: Financial Alternatives and Supplements

**Counselors must assess the client's financial situation to provide the most appropriate housing options.**

- **Selling and Moving:** For many clients, selling their homes and moving into a less expensive residence or one that better suits their physical needs may be the most appropriate option. Clients must consider the costs of the real estate transaction.
- **Services provided through the Aging Network:** Examples include Information & Referral, Senior Centers, and Nutrition Services.
- **State and Local Programs:** Examples include home repair, in-home care, transportation, adult day care, churches, and civic groups.
- **Public Benefits:** Examples include Supplemental Social Security Income, Medicaid, and Medicare Prescription Drug Program.



# Understanding the Protocol

# Chapters 8-11

**Kevin Meirose**

Housing Program Specialist



# Chapter 8: Reverse Mortgage Counseling Tools

The web-based HECM Loan Calculator and Underwriting Tool (HLCUT) is HUD's designated calculation software.

Counselors must generate and discuss loan printouts, amortization schedules, and total annual loan cost (TALC) using HUD's calculation software (Attachment A.4: HECM Online Comparison Tool). Only counselors on the HECM Counselor roster may use this software.

Counselors should discuss loan printouts, product features, and amortization schedules given by lenders to clients. Counselors must help clients understand which features are most appropriate, given the client's unique financial circumstances.

Welcome to Ibis RMA.  
The Reverse Mortgage Analyst



User Log- In

This calculator is intended for counselors on the [HUD HECM Counselor Roster](#). You can launch CBRIT directly from Ibis through a link on the Navigator page. Other features include sticky notes, calendar tasks, and the ability to reassign a client to another user in your organization.

A sample [non-borrowing spouse](#) ("NBS") certification page has been added to Ibis RMA. As part of the HECM loan package it must be signed by any borrower with a NBS and by all borrowers who are not married, i.e., all single borrowers. If there are two single borrowers, each must sign one of these certification pages. To view and print this page, click here > [NBS Page](#) <.

A new feature, the [Client Budget and Resource Identity Tool](#) is now available. Training sessions will be scheduled shortly. For a test drive, open a client or create a new client, then click the Brown CBRIT button that appears in the center of the top row of the Navigator page. A 'Quick Start' help pamphlet is there. Agency client intake staff must **assign the client** to the HECM roster counselor who will be doing the actual counseling session.

Log In

User ID

Password

☐ Show Password

Make your entries, then click



# Chapter 9: Refinancing a HECM

Some clients may want to refinance an existing HECM loan to take advantage of lower interest rates, increased home value, or increased lending limits.

The costs associated with this transaction must also be taken into consideration when making a final decision regarding a refinance.



# Chapter 10: Property Charge

## Default Counseling for HECM

Under the terms of the HECM, the borrower must pay property taxes, hazard insurance, and other property assessments themselves or through a full or partial Life Expectancy Set Aside (LESA). The use of LESA is the lender's decision alone, based on the FA underwriting.

Property charges include:

- Real estate taxes (from taxing authorities like schools, cities, counties, states, etc.)
- Property insurance (homeowners/hazard or flood insurance)
- Other property charges or special assessments, such as condominium and planned unit development fees or homeowner's association dues
- Ground rents
- Other assessments levied by municipalities or under state law

# Chapter 11: HECM Protocol Attachments

Attachments are now handouts and sample letters; all policy is in HECM Protocol itself

All policy for counselors was consolidated by:

- Attachment A is now Resources for Counselors
- Attachment B is now Resources for Clients

These documents have also been translated into Spanish, Chinese, and Korean.

## Attachment B: Required Handouts for Clients

The materials in Attachment B are for the potential HECM borrowers and their counseling clients. Counselors must provide these materials to the clients.

Handouts for clients begin on the following page. These include:

- Attachment B.1 Preparing for Your Counseling Session
- Attachment B.2: Important Information about Home Equity Conversion Lending (HECM) and Other Reverse Mortgage Counselors
- Attachment B.3 Reverse Mortgage Eligibility Requirements
- Attachment B.4 Steps in the HECM Lending Process
- Attachment B.5 Reverse Mortgage Considerations for Consumers
- Attachment B.6 Questions to Ask Your Lender about HECMs and Other Mortgages
- Attachment B.7 HECM Borrower Obligations
- Attachment B.8: Reverse Mortgage Borrower Obligations: A Checklist for Borrowers
- Attachment B.9: Using a Reverse Mortgage to Buy an Annuity
- Attachment B.10: Reverse Mortgage Counseling Frequently Asked Questions
- Attachment B.11: How You Can Access Your Home's Equity with a Reverse Mortgage



Understanding the Protocol

# The Future of HECM

**Tracy Badua**

Senior Housing Program Officer



# The Future of HECM

HUD Housing Counseling Program Handbook 7610.1, Rev-6, which includes the HECM Protocol: effective date of REV-6 to April 01, 2024

Handbook 4000.1, FHA Single Family Housing Policy Handbook, Title II Insured Housing Programs Home Equity Conversion Mortgages (HECM), Origination through Servicing: effective April 29, 2024



# Final Thoughts? Questions?





**Thank you  
for joining us!**

Email questions to [housing.counseling@HUD.gov](mailto:housing.counseling@HUD.gov)