

CHAPTER 2. BORROWER COUNSELING

2-1 PURPOSE. A borrower applying for a HECM must receive counseling and a counseling certificate (see Appendix 16) from a HUD-approved housing counseling agency. This chapter explains the responsibilities of the lender, the local HUD office and HUD-approved housing counseling agencies in educating and counseling the borrower about reverse mortgages and their suitability to the borrower's financial needs and situation.

2-2 ELIGIBLE COUNSELING AGENCIES. Housing counseling agencies approved in accordance with the procedures in HUD Handbook 7610.1 are eligible to provide the counseling services required under the HECM program.

A. Agencies currently approved by HUD to provide comprehensive counseling are eligible to provide HECM counseling.

B. Agencies not currently approved by HUD may become approved by contacting the Loan Management Branch at the local HUD office and fulfilling the requirements of HUD Handbook 7610.1.

C. Counseling agencies that specialize in reverse mortgage counseling are eligible for HUD approval as long as HUD Handbook 7610.1 requirements for approval are met.

D. Regional Offices of the Administration on Aging (AoA) and state agencies on aging will assist in identifying agencies suitable for approval by HUD as HECM counseling agencies.

E. State agencies on aging and area agencies on aging may be eligible to become HUD-approved counseling agencies.

F. If a public or private nonprofit housing counseling agency is not available in a particular area, it is permissible for local HUD office staff to become trained in order to counsel prospective HECM borrowers. The decision to become trained and to counsel is fully within the discretion of the local HUD office.

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2-3 COUNSELING REFERRAL PROCEDURES. The procedures below should be followed to ensure that the borrower receives the required counseling at the time he or she applies for a HECM.

A. If the lender receives a request from a borrower to apply for a HECM, the lender should refer the borrower to a housing counseling agency for counseling by providing the borrower with a

list of the names, addresses and phone numbers of the HUD-approved counseling agencies in the area.

B. At the time that the lender refers the borrower to a counseling agency, it may provide the borrower with copies of the mortgage, note and Loan Agreement.

C. The lender may complete the borrower's application before referral, however, the lender can not charge the borrower for this service if the borrower does not choose to attend a counseling session or apply for a HECM after counseling.

The lender can not begin the process of ordering a property appraisal or any other action that would result in a charge to the potential borrower until the borrower has received counseling, and the lender has received the counseling certificate from the borrower.

2-4BORROWERS LACKING LEGAL COMPETENCY. For borrowers lacking legal competency, the counseling session may be conducted with a person holding a power of attorney, or with a court-appointed conservator or guardian (see Paragraph 4-6).

2-5REQUIREMENTS FOR HOUSING COUNSELING. The borrower must receive counseling, and a counseling certificate, to be eligible for a HECM.

A. The counseling agency should provide counseling to all interested persons. A person need not have been in contact with a lender to receive counseling.

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B. The counselor must discuss the following matters with the potential borrower:

1) The financial implications of entering into a home equity conversion mortgage;

2) A disclosure that a home equity conversion mortgage may have consequences for the borrower's taxes, estate, and eligibility for assistance under Federal and state programs;

3) The other home equity conversion options that are or may become available to the homeowner, such as sale-leaseback financing, deferred payment loans, and property tax deferral;

4) The options other than home equity conversion that are available to the borrower, including other housing, social service, health, and financial options; and

5) Any other information that HUD may require.

C.Housing counselors should make every effort to provide HECM counseling on a face-to-face basis. This method allows for greater participation by the homeowner, and also allows the counselor to more accurately determine the homeowner's understanding of the program. Telephone counseling should be an alternative only where face-to-face counseling is unfeasible. Telephone counseling should not even be mentioned as an alternative to the homeowner unless the possibility of face-to-face counseling has been completely ruled out.

D.Housing counselors should make every effort to conduct counseling sessions in the home of the potential borrower and should invite the participation of the children and other advisors of the borrower.

E.The counseling agency must issue a certificate to the borrower certifying that the borrower has received counseling. The borrower must submit this certificate (Appendix 16) to the lender for submission to HUD as part of the lender's application for mortgage insurance (see Paragraphs 4-6E. and 4-7E.).

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1)The certificate issued by the counseling agency is not an opinion or decision by the agency about the suitability of a reverse mortgage for the borrower.

2)The counseling agency should advise the potential borrower that the decision to apply for a reverse mortgage is the borrower's, and the decision regarding the borrower's eligibility is the lender's and HUD's.

2-6SOURCES OF INFORMATION FOR COUNSELING. The counseling agency must be able to advise the borrower about the alternatives to reverse mortgages.

A.HUD has prepared Options for Elderly Homeowners: A Guide to Reverse Mortgages and their Alternatives, which describes both alternative forms of home equity conversion and alternatives to home equity conversion. It is available for \$4.00 from HUD USER, P. O. Box 6091, Rockville, MD 20850. To order using a credit card, call 800/245-2691 or 301/251-5154.

B.Counseling agencies should call the numbers in the guide for their State to obtain information on the specific programs offered by each State, and should update this information at

regular intervals.

C. Counseling agencies should contact the area agency on aging in their area and establish a cooperative working relationship to become aware of the resources available to elderly homeowners. The names and addresses of the area agencies on aging are available from the state agencies on aging listed in the guide.
