

# Chapter 1. Introduction to Reverse Mortgage Counseling

## Overview

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## 1. General Information on Reverse Mortgage Counseling

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**Introduction** This topic contains general information on reverse mortgage counseling, including

- the objective of reverse mortgage counseling
  - required discussion topics for reverse mortgage counseling
  - a reference for additional reverse mortgage policies and resources, and
  - the use of the terms “client” and “borrower” in this protocol.
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**PROTCL 1.1.a** The objective of reverse mortgage counseling is to educate clients on

**Objective of Reverse Mortgage Counseling**

- how reverse mortgages work and their implications
  - the appropriateness of a reverse mortgage for their personal and financial situations, and
  - possible financial alternatives to reverse mortgages.
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**PROTCL 1.1.b** The following topics must be thoroughly covered in every reverse mortgage counseling session:

**Required Discussion Topics for Reverse Mortgage Counseling**

- client needs and circumstances
  - features of a reverse mortgage
  - client responsibilities under a reverse mortgage
  - costs to obtain a reverse mortgage
  - financial/tax implications of a reverse mortgage
  - financial or social service alternatives to a reverse mortgage, and
  - warnings about potential reverse mortgage/insurance fraud schemes and elder abuse.
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## 1. General Information on Reverse Mortgage Counseling, Continued

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**PROTCL 1.1.c  
Additional  
Reverse  
Mortgage  
Policies and  
Resources  
(Reference)**

For more information on

- current HUD reverse mortgage counseling policies, see [HECM Protocol 7.A](#)
  - resources for counselors, see [HECM Protocol 7.B](#), and
  - resources for clients, see [HECM Protocol 7.C](#).
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**PROTCL 1.1.d  
Use of the  
Terms “Client”  
and  
“Borrower” in  
This Protocol**

The terms “client” and “borrower” are used somewhat interchangeably in this protocol.

When dealing with a housing counseling agency, an individual is considered a “client” given that they are not “borrowing” from the agency. However, when referring to specific HECM program requirements (for example, the effect of a borrower’s age on eligibility) the term “borrower” is used.

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## 2. Role and Responsibilities of the Reverse Mortgage Counselor

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**Introduction** This topic contains information on the role and responsibilities of the reverse mortgage counselor, including

- role of the reverse mortgage counselor
  - responsibilities of the reverse mortgage counselor for client education and determining the client's financial situation
  - requirement for counselors/agencies to follow this HECM Protocol and HUD's quality control measures
  - requirement for counselor objectivity
  - prohibited counselor activities
  - detection and prevention of fraud and elder abuse
  - counselor sensitivity to a client's disabilities and language/cultural issues
  - withholding issuance of the Counseling Certificate
  - reviewing the client's level of understanding before issuing the Counseling Certificate, and
  - following up with clients.
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## 2. Role and Responsibilities of the Reverse Mortgage Counselor, Continued

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- PROTCL 1.2.a**    The role of the reverse mortgage counselor is to
- Role of the Reverse Mortgage Counselor**
- educate the client about
    - the features of reverse mortgages
    - the appropriateness of a reverse mortgage, and
    - other financial options that might meet the client’s needs
  - provide guidance and resources to enable the client to make an informed decision, and
  - provide ongoing support to the client throughout the process.

It is *not* the role of the counselor to tell the client

- whether or not to proceed with a reverse mortgage, or
  - which reverse mortgage product to use.
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- PROTCL 1.2.b**    The reverse mortgage counselor must
- Responsibilities of the Reverse Mortgage Counselor for Client Education and Determining the Client’s Financial Situation**
- become familiar with the client’s financial situation by working with the client following the requirements of [HECM Protocol 7.B.12](#)
  - provide the client with a discussion of reverse mortgage products and other financial, social service and housing options within the context of his/her financial situation
  - counsel the client on reverse mortgage features covered in [HECM Protocol 5.D](#), and
  - provide an overview of financial and/or housing alternatives outlined in [HECM Protocol 5.F](#).
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## 2. Role and Responsibilities of the Reverse Mortgage Counselor, Continued

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**PROTCL 1.2.c  
Requirement  
for Counselors/  
Agencies to  
Follow This  
HECM  
Protocol and  
HUD's Quality  
Control  
Measures**

Counselors must

- follow this HECM Protocol when counseling their clients, and
- ensure that clients receive
  - HUD's required handouts as listed in [HECM Protocol 7.B](#), and
  - any additional information the clients need to assist in their decision-making.

The counseling agency must also agree in its housing counseling plan to HUD's quality control measures, which may include

- mystery shopping
  - performance reviews, or
  - other actions as determined by HUD.
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**PROTCL 1.2.d  
Requirement  
for Counselor  
Objectivity**

The counselor

- must consider each client's unique needs and circumstances when discussing the appropriate options for the client
  - must remain objective when discussing various products and options, and
  - *must not* steer the client in a particular direction or to a particular lender or loan originator.
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## 2. Role and Responsibilities of the Reverse Mortgage Counselor, Continued

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**PROTCL 1.2.e  
Prohibited  
Counselor  
Activities**

Counselors must *not*

- participate in sales or lending transactions as real estate agents, loan officers or appraisers, or as agents who sell long-term health insurance policies or annuities, or
- perform, or offer to perform, any services that conflict, or appear to conflict, with the best financial interests of the client.

The Housing and Economic Recovery Act of 2008 prohibits lenders or any other party from requiring HECM borrowers to purchase insurance, annuities or any other additional products as a requirement or condition of eligibility for a HECM loan.

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## 2. Role and Responsibilities of the Reverse Mortgage Counselor, Continued

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**PROTCL 1.2.f  
Detection and  
Prevention of  
Fraud and  
Elder Abuse**

The counselor must be sensitive to the client's intentions for obtaining a reverse mortgage and the client's particular needs and circumstances.

The counselor must request that other individuals who have no financial interest in the reverse mortgage be present during the counseling session (for example, family members, attorney, trusted advisor, and so on) to help protect the client's best interests if the counselor believes that the client is being pressured by

- a family member
- a lender
- an investment or financial consultant
- an insurance agent, or
- any other party.

The counselor must remind the client that it is his/her decision to go forward with a reverse mortgage and not the decision of others.

*Note:* If fraud is suspected, please contact the HUD Homeownership Center (HOC) and HUD's Office of Inspector General as listed in [HECM Protocol 7.B.13](#).

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## 2. Role and Responsibilities of the Reverse Mortgage Counselor, Continued

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**PROTCL 1.2.g  
Counselor  
Sensitivity to a  
Client's  
Disabilities and  
Language/  
Cultural Issues**

The counselor must be sensitive to a client's engagement in the counseling session. If the counselor believes that the client is not benefiting from the counseling session because of hearing deficiencies, lack of language comprehension or other significant impairment, the counselor must recommend that the session be re-scheduled with an accompanying family member, trusted friend or advisor.

In addition to these issues, counselors should be sensitive to any cultural issues that interfere with the client's understanding of the counseling session.

*Note:* The counselor must not issue a certificate when these issues prevent the client from benefitting from the counseling.

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**PROTCL 1.2.h  
Withholding  
Issuance of the  
Counseling  
Certificate**

The counselor must withhold the counseling certificate if he/she reasonably believes that the client does not have an adequate understanding of

- a reverse mortgage
- its implications for the client's unique situation, and
- the client's own responsibilities as a reverse mortgage borrower.

*Reference:* For more information on detecting and preventing fraud, see [HECM Protocol 1.2.f](#).

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## 2. Role and Responsibilities of the Reverse Mortgage Counselor, Continued

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**PROTCL 1.2.i**  
**Reviewing the Client's Level of Understanding Before Issuing the Counseling Certificate**

The counselor must make specific efforts to review the client's level of understanding of reverse mortgages, including the

- basic mechanics, requirements and implications of a reverse mortgage
- impact on the client's personal financial situation of the particular loan in which he/she is interested, and
- client's responsibilities and requirements for residency under the mortgage.

In order to receive the counseling certificate during the first session, the client must be able to answer five of the ten questions asked by the counselor throughout the session, as discussed in [HECM Protocol 5.A.1.d](#).

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**PROTCL 1.2.j**  
**Following Up with Clients**

The counselor must make a reasonable effort to follow up with the client to

- answer any additional questions
- ensure that he/she is progressing toward his/her housing goals and meeting his/her financial needs
- modify or terminate housing counseling, and
- learn and report outcomes to HUD.

**Reference:** For more information on following up with the client, see [HECM Protocol 6](#).

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### 3. Methods of Delivery for Reverse Mortgage Counseling

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**Introduction** This topic contains information on the methods for delivery of counseling, including

- face-to-face counseling for HECM clients
  - telephone counseling
  - emergency counseling, and
  - other mutually-agreed upon formats for counseling.
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**PROTCL 1.3.a  
Face-to-face  
Counseling for  
HECM Clients** HUD encourages face-to-face counseling, and certain states require face-to-face counseling for all borrowers considering reverse mortgages. Counselors who meet with clients face-to-face may be better able to assess their clients' needs and comprehension.

A counselor who is unable to meet with a client face-to-face and who instead engages in telephone counseling must be particularly sensitive to the client's engagement in the session and understanding of the topics covered.

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**PROTCL 1.3.b  
Telephone  
Counseling for  
HECM Clients** Clients may receive telephone counseling unless such counseling is prohibited in their state.

Telephone counseling must not commence until the client has

- received HUD's required handouts listed in [HECM Protocol 7.B.1](#), and
- had adequate time to review the documents.

The client may receive the required HUD handouts from a lender or from HUD. If the lender provides the handouts, a copy of the handouts must be made available to the HECM counselor.

Because the counselor may have difficulty gauging the client's engagement in the counseling session, the counselor must prompt the client for questions, concerns or points of confusion during and after the counseling session.

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### 3. Methods of Delivery for Reverse Mortgage Counseling, Continued

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**PROTCL 1.3.c  
Emergency  
Counseling for  
HECM Clients**

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/her home, or
- requires access to funds for impending medical treatment, and he/she is not able to access these funds without obtaining proceeds from a HECM.

***Required Borrower Documentation***

HUD requires that the borrowers provide documentation that the emergency counseling is necessary. The documentation should indicate that the client's home is in imminent danger of being foreclosed or that the client needs impending medical treatment.

***Provision of Required Handouts/Materials by the Counselor***

HUD permits emergency counseling without a prior appointment, and recognizes that in emergency circumstances, it is unlikely that the client has received HUD's required handouts, unless a lender has provided them previously.

Unlike scheduled face-to-face or telephone counseling, counselors who are participating in emergency counseling are not required to provide relevant materials to clients prior to the counseling session, but must provide HUD's required handouts and other resource material immediately after the session via

- email
- fax, or
- regular mail.

***Reference:*** For a listing of HUD's required handouts to clients, see [HECM Protocol 7.B.1.](#)

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### 3. Methods of Delivery for Reverse Mortgage Counseling, Continued

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**PROTCL 1.3.d  
Other  
Mutually-  
Agreed Upon  
Formats for  
Counseling**

Other types of mutually-agreed upon formats are acceptable for counseling. Such formats include any live electronic method of dialogue (e.g., Skype, webinar, webex, GoToMeeting, etc.) where both the HECM counselor and client can speak to each other to ask questions and discuss the information being presented. Clients may receive counseling in a mutually-agreed upon format unless such counseling is prohibited in their state.

This type of counseling must not commence until the client has

- received HUD's required handouts listed in [HECM Protocol 7.B.1](#), and
- had adequate time to review the documents.

The client may receive the required HUD handouts from a lender or from HUD. If the lender provides the handouts, a copy of the handouts must be made available to the HECM counselor.

Because the counselor may have difficulty gauging the client's engagement in the counseling session, the counselor must prompt the client for questions, concerns, or points of confusion during and after the counseling session.

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## 4. Reverse Mortgage Counseling Fees

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**Introduction** This topic contains information on reverse mortgage counseling fees, including

- policy on charging HECM counseling fees
  - restriction on turning clients away due to inability to pay
  - lenders prohibited from paying counseling fees, and
  - collection of counseling fees
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**PROTCL 1.4.a** Agencies participating in HUD’s Housing Counseling Program are permitted to charge clients a fee for HECM counseling services if the fee

**Policy on Charging HECM Counseling Fees**

- is reasonable and customary
- does not create a financial hardship for the client
- is commensurate with the level of services provided, and
- meets all other HUD requirements as discussed in [HECM Protocol 7.A.1.](#)

*Note:* Agencies may charge a higher fee for clients needing multiple, in-home, or prolonged sessions; however, this higher fee may only cover the actual cost of the services, provided they are reasonable and customary.

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**PROTCL 1.4.b** Agencies may *not* turn clients away or withhold the Counseling Certificate because of a client’s inability to pay.

**Restriction on Turning Clients Away Due to Inability to Pay**

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**PROTCL 1.4.c** Lenders may *not* pay for counseling services directly or indirectly.

**Lenders Prohibited From Paying Counseling Fees**

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## 4. Reverse Mortgage Counseling Fees, Continued

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### **PROTCL 1.4.d** **Collection of** **Counseling** **Fees**

Counseling agencies may collect the fee prior to conducting the counseling session or they may be paid from the reverse mortgage proceeds.

Counseling agencies choosing to charge HECM fees should not collect a fee at the time of the counseling session from a client whose income is below 200 percent of the Federal Poverty level. Agencies may charge these clients a HECM counseling fee at closing provided the client has been advised during the counseling session of the amount of the fee.

Agencies charging the fee are required to

- describe in their housing counseling workplan how this policy will be implemented and monitored
- document that the client's income is below 200 percent of the Federal Poverty level at the time of the HECM counseling session, and
- document that the client was advised of the amount of the counseling fee that the client may be charged at loan closing.

*Note:* HHS's poverty guidelines can be found at <http://aspe.hhs.gov>. Typically, these guidelines are revised annually in January. Agencies are responsible for using the current published figures.

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## 5. Providing HUD-Approved Counseling Agency Information to Clients and Restrictions on Lender Referrals

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**Introduction** This topic contains information on

- the requirement for lenders to provide clients with a list of counseling agencies
  - the restriction on lenders contacting agencies on behalf of a client
  - the restrictions on communication between lenders and counselors/counseling agencies
  - counselor responsibilities when a client has already been in contact with another lender
  - confirming the client's understanding that lenders cannot process a loan application without a Counseling Certificate
  - reporting lender attempts to influence counseling outcomes to HUD, and
  - counselor awareness of client bias or concerns.
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**PROTCL 1.5.a  
Requirement  
for Lenders to  
Provide Clients  
With a List of  
Counseling  
Agencies**

Lenders must provide every client with a list of HUD-approved counseling agencies that can provide HECM counseling, five of which must be in the client's local area and/or state, and at least one agency must be located within a reasonable driving distance.

The other agencies (which offer services nationwide) must be the National Intermediaries receiving HECM funding. This information is available on FHA Connection and on <http://www.hud.gov>.

Lenders must enter all of the HUD-approved agencies that were provided on the list to the client by completing the HECM Referral List Update in FHA Connection. The screen must be completed prior to a HECM loan being endorsed for insurance.

A lender does *not* have to provide a list of HUD-approved counseling agencies to a client if the client has already been counseled by a HUD-approved HECM counselor. The client must be able to confirm that he/she has received counseling by providing the lender with the completed [Form HUD 92902, Certificate of HECM Counseling](#). In this case, a lender must check the "Not Referred" box on the HECM Referral List Update.

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## 5. Providing HUD-Approved Counseling Agency Information to Clients and Restrictions on Lender Referrals, Continued

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### PROTCL 1.5.b Restriction on Lenders Contacting Agencies on Behalf of a Client

No lender, or party associated with or acting on behalf of the lender, may contact a counseling agency on a client's behalf.

**The client *must* contact a counseling agency directly and personally to initiate the counseling process and schedule an appointment.**

*Note:* When the client calls to schedule an appointment, the counselor must mail, fax, or email HUD's required handouts to the client.

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### PROTCL 1.5.c Restrictions on Communication Between Lenders and Counselors/ Counseling Agencies

A lender may *not* contact a counselor or counseling agency to

- discuss a client's personal information, including the timing or scheduling of the counseling
- request information regarding the topics covered in a counseling session, or
- check on the progress of the counseling session.

Similarly, counselors and counseling agencies may *not* discuss any of these topics with a lender.

*Note:* Lenders may call counselors to request changes to [HUD Form 92902, Certificate of HECM Counseling](#), such as name, address, etc. to make it consistent with the borrower information in FHA Connection. The counselor must ask the lender for the certificate number and the counselor should not advise the lender that the number given is the client's unless the certificate number provided is accurate.

When the correct certificate number is provided by the lender, it can be assumed the client has given the lender the certificate and that minor changes can be made, without a need to contact the client for permission. Any such changes made to the certificate should be mailed to the client and can be faxed or mailed to the lender. The counselor should note to the lender that only the counselor's signature is on the copy the counselor has faxed to them and that the borrower's signature will have to be obtained.

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## 5. Providing HUD-Approved Counseling Agency Information to Clients and Restrictions on Lender Referrals, Continued

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- PROTCL 1.5.d**  
**Counselor Responsibilities When a Client Has Already Been in Contact With Another Lender**
- If a client has already been in contact with a lender, the counselor must
- respect that established relationship by neither encouraging nor discouraging the continuance of the relationship
  - continue to focus on the client’s unique financial circumstances
  - discuss any specific reverse mortgage product details that the client received from the previous lender as they apply to the client
  - use a reverse mortgage loan comparison tool to compare proposed products with other available mortgages, and
  - discuss the results of the comparison with the client.

*Note:* Clients who demonstrate a detailed knowledge of reverse mortgage features may receive a summary overview of the required topics. The counselor must ensure that the client understands the features of the specific reverse mortgage in which he/she is interested.

*Caution:* Counselors must *not* steer clients toward or away from specific lenders or reverse mortgage products.

*Reference:* For more information on restrictions for lender and counselor steering, see [HUD 7610.1 4.D.2](#).

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- PROTCL 1.5.e**  
**Confirming the Client’s Understanding That Lenders Cannot Process a Loan Application Without a Counseling Certificate**
- The counselors must confirm that the client understands that the lender may take, but not process a HECM loan application, or charge for any application-related services until the lender receives a signed copy of the Counseling Certificate from the client.
- Reference:* For additional guidelines regarding acceptable lender activities prior to receiving a counseling certificate, see [HECM Protocol 7.A.8](#).

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## 5. Providing HUD-Approved Counseling Agency Information to Clients and Restrictions on Lender Referrals, Continued

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**PROTCL 1.5.f**  
**Reporting**  
**Lender**  
**Attempts to**  
**Influence**  
**Counseling**  
**Outcomes to**  
**HUD**

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 at (800) 347-3735
- email at [HOTLINE@hudoig.gov](mailto:HOTLINE@hudoig.gov), or
- fax at (202) 708-4829.

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**PROTCL 1.5.g**  
**Counselor**  
**Awareness of**  
**Client Bias or**  
**Concerns**

Counselors must be aware of the client's level of knowledge about reverse mortgages, as well as any biases or concerns the client may have concerning reverse mortgages in general or to any specific product.

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