



**01/29/13**

**TO: ALL HUD-APPROVED HOUSING COUNSELING AGENCIES**

**ALL APPROVED MORTGAGEES**

**SUBJECT: Home Equity Conversion Mortgage (HECM) Counseling Protocol Compliance**

This message is a reminder to all HUD approved housing counseling agencies that provide reverse mortgage counseling of the importance of the requirements of the HECM counseling protocol found in HUD Handbook 7610.1 REV-5, Appendix 4. Your adherence to the procedures outlined in the protocol insures that all client(s) receive thorough counseling on the following topics: how reverse mortgages work; the implications of reverse mortgages; how they may be beneficial to the client's individual situation, and, possible alternatives to reverse mortgages.

#### **Counseling Session**

In structuring an individual counseling session for client(s), counselors must plan for sufficient time to meet all requirements of the HECM Protocol. Generally, a counselor should plan on a session of no less than one to one and one half hours in duration. More time may be needed for telephone counseling sessions. This time estimate does not include client intake and session preparation time. The HECM counseling certificate form HUD-92902 must accurately reflect only the time spent in the actual session.

#### **FIT and BCU**

All reverse mortgage counseling sessions must include a **Financial Interview Tool (FIT)** analysis. In addition, the **BenefitsCheckUp** tool (BCU) must be used for all clients who are at or below 200% of the Federal Poverty Level. Moreover, BCU must be offered to all clients and conducted if requested. HUD monitoring of FIT and BCU rates, as compared with the number of HECM certificates issued, reveals under-utilization of these tools and possible noncompliance with programmatic requirements.

#### **Counselor Steering**

Counselors are reminded of the prohibition on lender steering as noted in HUD Handbook 7610.1 REV 5, Chapter 4, paragraph 4-10 and Section A.7 of the HECM protocol. HUD Handbook 7610.1, REV 5 Chapter 4, paragraph 4-10 states the following: "Housing counseling agencies are not permitted to promote, represent, recommend or speak for any specific lender. The clearest way to avoid steering is by not presuming that a client wants to contact a lender unless the client specifically asks for help in finding a lender. If a client does initiate a request for help in finding a lender, then counselors should tell

them about HUD's current lender list or give them a copy of it. This ensures that only clients who expressly request help in finding a lender will be given information about contacting lenders, and that the information they receive will be a list provided by HUD rather than by a counselor or agency". A link to the HUD lender page is provided below:

<http://www.hud.gov/ll/code/llslcrit.cfm>

### **Lender Steering**

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 engaged in this prohibited practice must advise HUD. at [housing.counseling@hud.gov](mailto:housing.counseling@hud.gov) your office of Housing Counseling point of contact. Agencies and counselors determined to be participating in this practice may be subject to appropriate sanctions as determined by HUD.

A link to the referenced HUD Handbook 7610.1 Rev-5 is provided below. Please refer to Chapter 4 and Appendix 4 of the handbook for specific guidance on HECM counseling.

<http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/7610.1/76101HSGH.pdf>