



Counseling Update and Options for Consumers

A Must Have for Prudent Lenders

Click to edit Master title style

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending



Objective



To understand the purpose and value of the reverse mortgage counseling session.

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending



Agenda



- ▶ **Background**
- ▶ **Benefits to Borrowers**
- ▶ **Benefits to Lenders**
- ▶ **The Counseling Session**
 - Role and Responsibilities of Counselors
 - Challenges Facing Counselors
 - Tools for Counselors and Borrowers
- ▶ **What Lenders Need to Know About Counseling**
 - Role and Responsibilities of Lender
 - Meeting Lender Concerns

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Background

- **Jane Dwight, Managing Partner,
Concetrance Consulting Group**
- **Mortgage Finance Background**
- **Program Support to FHA**
- **Reverse Mortgage Counseling Protocol**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Benefits to Borrowers

➤ Understanding of

- Current financial situation and needs
- RM features and products

➤ Tools for

- Accessing additional resources
- Decision making process
- Meeting borrower obligations
- Avoiding elder abuse/ fraud

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Benefits to Lenders

- **Educated Borrower**
- **Fraud/Elder Abuse Prevention**
- **Effective Lending Process**
- **Efficient Servicing**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Role of Counselors

➤ Education

- Reverse Mortgages
- Additional/Supplemental Financial Options

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Role of Counselors

- **Resources for Seniors**
- **Potential Lender Referral**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Responsibilities of Counselors

➤ **Objectivity**

- Lender Steering
- Product Steering

➤ **Sensitivity**

- Cultural
- Age
- Comprehension

➤ **Product Overview**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Counseling Process

➤ Client Intake

- Client Data

➤ Counseling Session

- Reverse Mortgages/Alternatives
- Client Needs/Circumstances

➤ Counseling Certificate

➤ Client Follow-up

- Additional Materials/ Close-out Letter
- Telephone/Face-to-Face (24 CFR 214)

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Challenges Facing Counselors

- **Expanding Market**
- **Client Diversity**
- **Time Constraints**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Tools for Counselors

- **Guide to Resources for Seniors**
- **Reverse Mortgage Product Education**
- **Guidance on Client Comprehension**
- **Software Tools**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Tools for Potential Borrowers

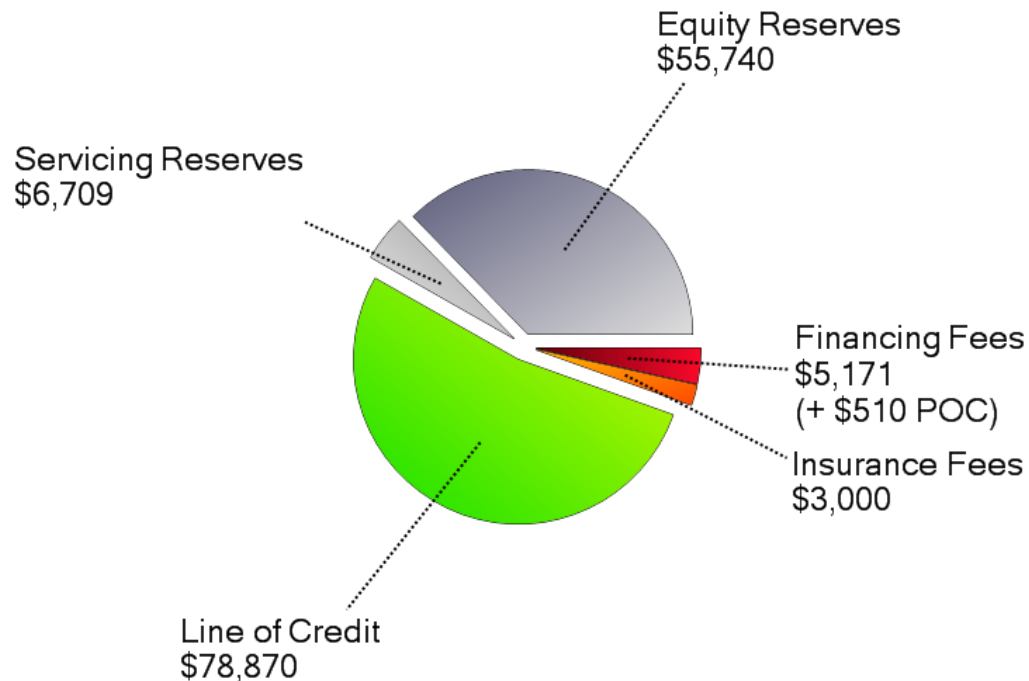
➤ Handouts

- Role of Counselor
- Eligibility/ Product Features
- Lending Process
- Warnings for Consumers
- Questions to Ask Your Lender
- Borrower Obligations Checklist
- Purchasing an Annuity
- Counseling FAQ's
- Payment Options (ReverseVision Graphics)

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Reverse Mortgage in 2008 Home Value: \$150,000



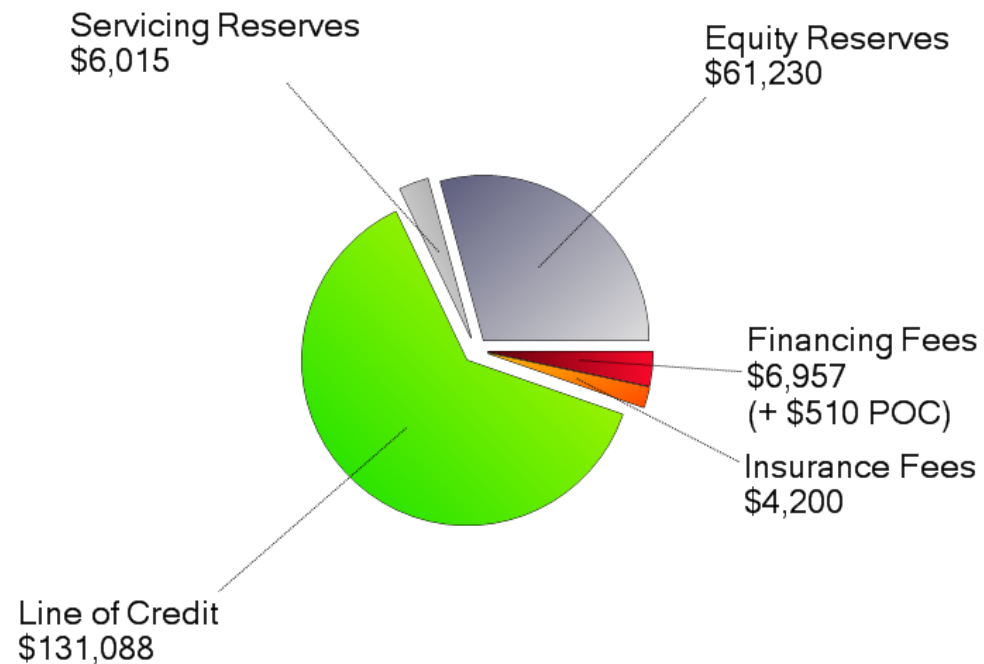
(C) 2008 ReverseVision.com

- **Access to Equity 2008**
- **Borrower Age: 62**
- **Home Value: \$150,000**
 - **FHA Loan Limit: \$362,790**
- **Principal Limit: \$103,350**
 - **Interest Rate: 3.02%**
 - **Expected rate: 5.5%**
- **Line of Credit: \$78,870**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Reverse Mortgage in 2018 Home Value: \$210,000



(C) 2008 ReverseVision.com

- **Access to Equity 2018**
- **Borrower Age: 72**
- **Home Value: \$210,000**
- **FHA Loan Limit: \$362,790**
- **Principal Limit: \$162,960**
- **Interest Rate: 3.02%**
- **Expected rate: 5.5%**
- **Line of Credit: \$131,088**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Tools for Potential Borrowers

➤ **Additional Consumer Education -- Examples**

- AARP's "Home Made Money"
- NRMLA's "Using Reverse Mortgages for Health Care"

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Lender Role and Responsibilities

- **Counseling Requirement/Certificate**
- **Counseling Fees**
- **Counseling Referral**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Do's and Don't For Lenders

➤ **Prior to counseling, lenders may:**

➤ **Discuss**

- HECM/Proprietary Products
- Borrower Eligibility
- Fees and Charges
- Potential Financial Implications

➤ **Order a limited title search**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Do's and Don't For Lenders

- **Prior to counseling, lenders may:**
- **Provide samples of:**
 - Mortgage
 - Note
 - Loan Agreement
- **Use AVMs to perform preliminary estimation of property value**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Do's and Don't For Lenders

- **Prior to counseling, lenders may not:**
- **Charge the client for:**
 - Appraisal
 - Full title search
 - Credit Report
 - Application fees/other HECM-related service charges
- **Assign the client an FHA case number**
- **Process the initial loan application**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Meeting Lender Concerns

- **Counseling Funding/Capacity**
- **HECM-centered Counseling**
- **Product Steering**
- **Lack of Sound Financial Advice**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending



Working with Counseling Agencies: A Practical Guide

Agenda

- ▶ Overview of Counseling Resources
- ▶ Shared Objectives and Potential Disputes
- ▶ Tips for Working with a Counseling Agency
- ▶ Counseling Availability and Funding: Finding a Industry Solution.

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Background

- **Daniel Fenton, Senior Housing Director, Money Management International (MMI)**
- **Responsible for national MMI's Reverse Mortgage Counseling program**
- **HUD approved agency and National intermediary**
- **MMI provided more than 7,000 sessions in March 2008.**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Overview of Counseling Resources

- **Local Housing Counseling Agencies**

- **National Telephone Providers**
 - AARP Referrals
 - Money Management International
 - National Foundation for Credit Counseling

- **“Direct Connect” Counseling**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Overview of Counseling Resources

- **Local Housing Counseling Agencies**

- **National Telephone Providers**
 - AARP Referrals
 - Money Management International
 - National Foundation for Credit Counseling

- **“Direct Connect” Counseling**

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Shared Objectives

➤ **Shared objective: to ensure that the client:**

- Understands the essential elements of a reverse mortgage
- Is aware of the pros and cons of moving forward with a loan application
- Has opportunity to ask questions of an independent party that does not benefit from the origination of a loan.

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Overview of Counseling Resources

- Counseling is provided by

Counseling Update and Options for Consumers

A Must-Have for Prudent Lending

Questions