



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

December 30, 2004

MORTGAGEE LETTER 2004 - 48

TO: ALL FHA-APPROVED MORTGAGEES
ALL HUD-APPROVED HOUSING COUNSELING AGENCIES

SUBJECT: Home Equity Conversion Mortgage (HECM) Counseling
Requirements Simplified

The purpose of this Mortgagee Letter is to provide additional guidance to the Federal Housing Administration (FHA) approved mortgagees and the Department of Housing and Urban Development's approved housing counseling agencies serving prospective HECM borrowers. Mortgagee Letter 04-25, "Clarification of HECM Counseling Requirements," elicited questions and comments from lenders and counselors. To ensure that all seniors pursuing HECM loans are able to obtain high-quality HECM counseling in a timely manner, this FHA Mortgagee Letter:

- a) provides guidance on face-to-face interview requirements for HECM borrowers;
- b) provides additional guidance regarding when telephone counseling is permissible and what entities may provide telephone counseling;
- c) simplifies the identification of eligible HECM counseling agencies; and
- d) describes HUD's creation of and ongoing support for the American Association of Retired Persons (AARP) Foundation Network of expert HECM counselors.

Face-to-Face Requirements for HECM Loans

Mortgagee Letter 00-10 clarifies FHA's requirement (stated in Handbook 4000.2, REV-2, Chapter 3) that senior citizens applying for HECMs receive a face-to-face interview with either the Mortgagee or the HUD-approved housing counseling agency. The Mortgagee may elect to routinely conduct the face-to-face interview with the borrower and have the borrower counseled by a HUD-approved housing counseling agency by telephone. However, any prospective borrower who requests face-to-face meetings with both the lender and the counselor must be accommodated.

Telephone Counseling Requirements for HECM Loans

As stated in Mortgagee Letter 04-25, FHA prefers face-to-face counseling for HECM borrowers. However, FHA recognizes that many seniors prefer telephone counseling to face-to-face counseling for a variety of reasons, including limited mobility and health conditions. For

seniors who cannot or who choose not to travel to a housing counseling agency and who cannot be visited by a counselor in their home, FHA permits telephone counseling.

Telephone counseling may be provided by agencies approved by HUD to offer HECM counseling, including: a) local HUD-approved housing counseling agencies; b) affiliates or branches of HUD-approved national and regional counseling organizations located in the area where the prospective HECM borrower resides; c) State Housing Finance Agencies (HFAs) funded by HUD to provide HECM counseling (and their affiliates, if applicable); d) the AARP Foundation Network of expert HECM counselors; and e) the Fannie Mae HECM Counseling hotline, under a limited set of circumstances, which are described in Mortgagee Letter 04-25.

Local agencies and local affiliates of national, regional, or state organizations may provide telephone counseling within the state where the agency is located or within a contiguous state only under the following circumstances: a) HUD has approved the agency to operate in a defined service area that covers more than one state and b) the agency's out-of-state service area is clearly defined in its housing counseling plan and the agency has the capacity to serve the extended service area. HUD approval for an out-of-state service area is based on an assessment of the agency's administrative and financial capacity to serve a broader geographic area. This clarification of the appropriate jurisdiction of a local housing counseling agency or affiliate recognizes that many agencies are serving metropolitan areas that cross state lines or are serving rural areas where few agencies are located and one agency covers a portion of two states.

In accordance with Handbook 7610.1, REV-4 and HUD Form 9900 Application for HUD Approval as a Housing Counseling Agency, HUD expects that local counseling agencies and local affiliates serve residents within their state or general geographic area. For HECM counseling, this policy helps to ensure that counselors fulfill the statutory requirement that prospective borrowers receive information on alternatives to a HECM. State and local agencies familiar with state and local programs are well qualified to assist seniors in meeting their financial needs.

As stated in Mortgagee Letter 04-25, HECM counselors with the AARP Foundation Network may provide counseling services by telephone to anyone in the country. The AARP Foundation HECM counselors are specialized to cover particular states and are trained to know about a wide variety of state and local programs available to seniors in those particular states.

Availability of HUD-Approved Agencies offering HECM Counseling

HUD has approved approximately 800 housing counseling agencies to provide HECM counseling. There are agencies located in 49 states. HUD continues to add new agencies to the list.

Lender's List of HUD-Approved Housing Counseling Agencies

FHA has required that lenders provide prospective HECM borrowers with a list of **all** HECM counseling agencies serving the state in which the prospective borrower resides. The standard state listing was intended to ensure that lenders were not steering seniors to any particular agency. It has come to HUD's attention that many seniors find the listing of all HECM counseling agencies to be excessively long and confusing. Therefore, FHA will now permit lenders to provide

prospective HECM borrowers with a list of no fewer than five HUD-approved agencies in the local area and/or state that can provide HECM counseling (except in cases where fewer than five agencies are serving a particular state). The lender must include at least one agency located within a reasonable driving distance from the prospective borrower, so that the prospective borrower is able to receive face-to-face counseling if he/she chooses. In addition to the five local agencies, the list must include the AARP Foundation Network of HECM Counselors toll-free number: 800-209-8085. Should a prospective borrower request the list of all agencies serving the state, the lender must provide this listing rather than the abbreviated list.

AARP Foundation's HECM Counseling Network

Established and Supported with HUD Funding

Congress established a special set-aside of funding for HECM Counseling in HUD's FY1999 Appropriations Act. Given the complexity of the HECM program and the importance of providing seniors with comprehensive and accurate information, HUD determined that the best use of the funds was to build the capacity of HECM counselors.

The initial set-aside of funding was awarded in FY2000 to AARP Foundation, who proposed to partner with HUD, Fannie Mae, the National Reverse Mortgage Lenders Association (NRMLA), the Mortgage Bankers Association of America (MBAA), and experienced reverse mortgage counselors to improve the quality and availability of reverse mortgage counseling nationwide. Since FY2000, more than \$3 million in HUD counseling grant funds have been dedicated to the creation and maintenance of a national network of expert HECM counselors.

The industry has adopted the term "AARP counselor" to refer to the expert counselors who are selected to participate in the AARP Foundation's HECM Counseling Network. However, it should be noted that these counselors work for HUD-approved agencies and receive HUD funding to provide HECM Counseling. These counselors are not employees of AARP. The AARP Foundation provides oversight and guidance for the Network on HUD's behalf. Currently, the Network has 91 counselors working for 58 HUD-approved local agencies in 34 states.

FHA commends the AARP Foundation and its partners for creating a HECM Counseling system that is effective and efficient. Each year, the Network meets the counseling needs of thousands of seniors. Seniors who receive services from counselors in this Network consistently praise the quality of the counseling and professionalism of these counselors.

Quality Standards and Uniform Protocols

To be eligible to join the AARP Foundation's HECM Counseling Network, a counselor must:

- a) work for a HUD-approved housing counseling agency;
- b) achieve a qualifying score on a national HECM exam;
- c) follow uniform counseling protocols, which stipulate appropriate procedures for servicing clients and the topics that must be covered;

- d) track all HECM clients using specialized HECM Counseling software; and
- e) participate in ongoing education and training.

Successful Model

The AARP Foundation HECM Counseling Network model has proven to be a success. The Network enables HUD to financially support housing counselors who have the knowledge and skills necessary to provide HECM counseling and to ensure that these counselors continue to be experts in the field. HUD plans to continue to expand the Network. The AARP Foundation is working with HUD to offer the HECM counselor qualifying exam on a regular basis, to permit more experienced HECM counselors to join this unique, highly-qualified team of experts.

Any HECM lenders or counselors with questions about this Mortgagee Letter or seeking additional information about the HECM Counseling Network should contact the Homeownership Center in its jurisdiction: Atlanta (888-696-4687), Denver (800-543-9378), Philadelphia (800-440-8647), or Santa Ana (888-827-5605).

Sincerely,

John C. Weicher
Assistant Secretary for Housing-
Federal Housing Commissioner