

## HECM COUNSELING

- HECM reverse mortgages are one of the few financial products that require independent counseling. Why? Because reverse mortgages are designed for an older audience who are often on fixed incomes and involve their primary residence. The government and the reverse mortgage industry want to make sure potential borrowers have all the information they need to make the right decision for them.
- HECMs are insured by the Federal Housing Administration (FHA), a government department, and the program is intended for people age 62 years and older. The FHA requires applicants to complete a counseling session with an independent third-party counselor.
- The counselor ensures that potential borrowers understand the HECM program, the options available and the costs. Most sessions take 45 to 90 minutes and may be done over the phone. Counselors are not associated with any lenders. They are independent. They represent your interests, and every HECM borrower must be counseled.
- Lenders must provide a list of at least 10 to 12 agencies that provide HECM counseling sessions. The choice of which agency to use is made by the potential borrower, not the lender.
- The potential borrower must pay the counseling fee, which averages \$125. Agencies sometimes have federal grant money to cover the cost of sessions.
- No fees may be incurred by you or on your behalf, apart from a modest charge for a credit report, prior to completion of mandatory counseling.

Reverse mortgage counseling sessions generally consist of the following:

1. You must schedule your appointment directly with the counseling agency. Your lender cannot initiate or participate in the counseling session.
2. Prior to being counseled, the borrower will receive an information packet from either the counseling agency or the lender, depending on who was contacted first.
3. The counselor will collect from you: Your name, contact information and why you're interested in a reverse mortgage loan.
4. Your counselor will discuss the process of the loan, your needs, and provide information about reverse mortgage loans or alternatives that may better fit your needs.
5. After you complete your session, your counselor will issue a certificate, which verifies for a lender that you have successfully completed counseling.
6. Your counselor will follow-up with you to make sure you are still comfortable with the conversations during the session and to confirm that you do not have any other questions.