



Improving the lives of older Americans

HECM Reverse Mortgage Counseling: Critical for Consumer Protection

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Housing Counseling Intervention: Research and Impact - Briefing
June 21, 2011, Washington, D.C.

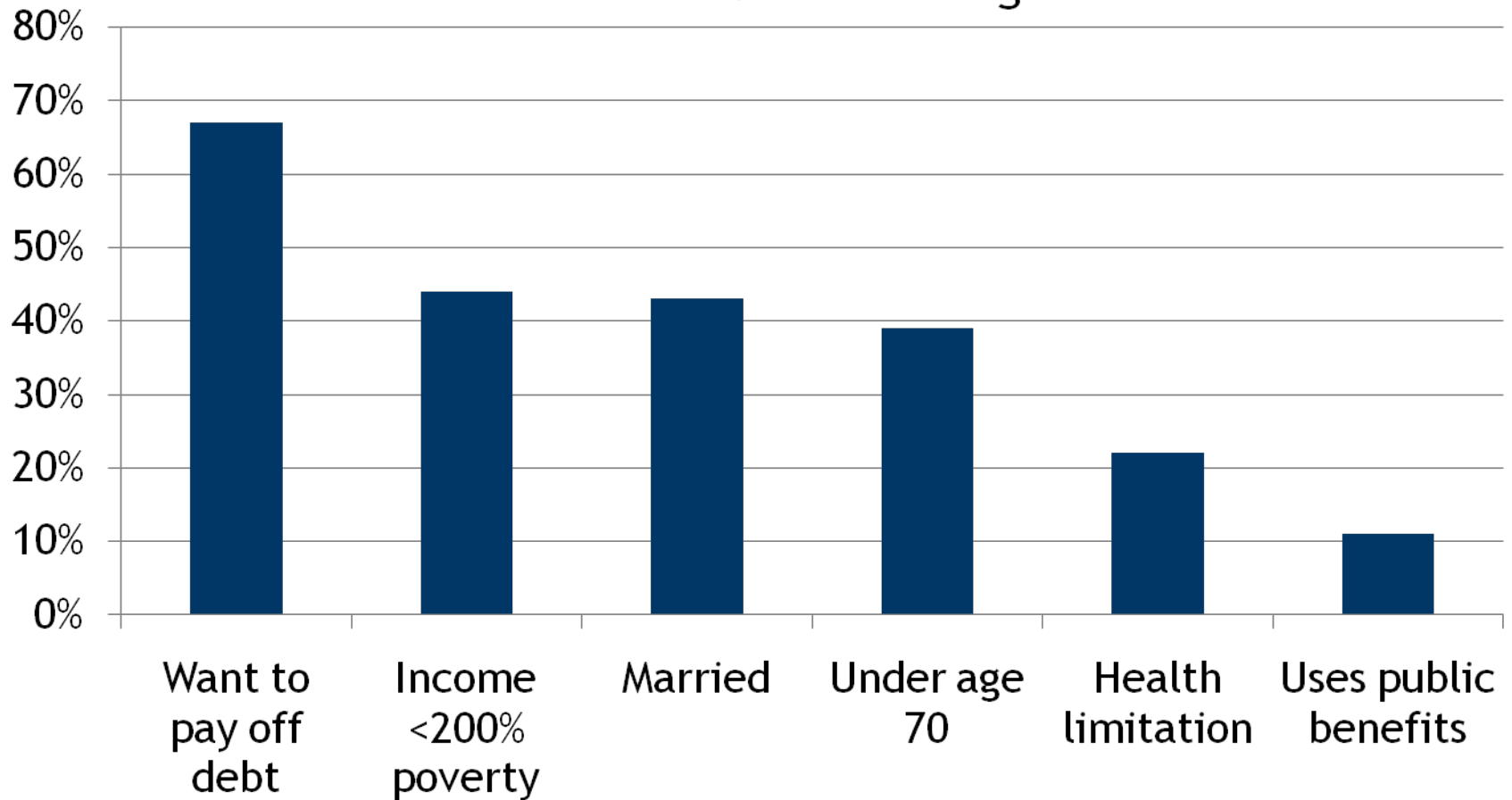


HECM Counseling Essential as More Seniors View Home Equity as a Retirement Resource

- **Financial insecurity** due to stock market volatility, low returns on investments, and fewer retirement pensions.
- **Rising longevity** increases risk of outliving funds and chronic conditions that could require costly care.
- **Generational change** in attitudes towards debt - 35% of seniors had a mortgage in 2009 versus 24% in 1999.
- **Mortgage scams** target older homeowners - 45% of callers to the Homeowner's HOPE™ Hotline who report a being victim of a mortgage scam are age 51 and older.
- As **pressure on public programs** grows, seniors are being asked to bear an increasing share of the costs.

HECM Counseling Addresses Vulnerabilities

Attributes of HECM Counseling Clients



Source: NCOA analysis of 21,242 FIT reviews from HECM counseling conducted from 9/15/10 to 11/10/10.

HECM Counseling is Mandated by HUD

- 99% of reverse mortgages today are FHA-insured HECM loans.
- Lenders cannot begin to charge clients until they receive the Counseling Certificate.
- Counselors must be registered on the HUD HECM Roster.
- HECM counseling must include:
 - ♦ NCOA *Use Your Home to Stay at Home* booklet.
 - ♦ Customized amortization and loan comparison tables.
 - ♦ Financial Interview Tool (FIT) reviews risks to aging in place.
 - ♦ BenefitsCheckUp - identifies other funding options.
- Counselors must ask 10 questions to check a client's comprehension. Withhold Certificate if inadequate.

HECM Counseling Supports Decision Making

HECM counselors must discuss:

- **Client goals** for using a reverse mortgage.
- Client **budget shortfalls** including the ability to keep up with borrower obligations in the future.
- **Life factors** that could affect their ability to continue to live at home.
- Different **types of reverse mortgages** and their features.
- Amount of money that may be available and **loan costs**.
- **Other options** that could help clients meet their goal - alternative housing, services, and financial products.

HECM Counseling Enhances Sustainability

- Over 40% of clients are lower-to-middle income families who may not have access to a financial advisor.
- Since September 15 2010, 38,650 HECM counseling clients have received a BenefitsCheckUp screening.
 - ◆ 88% could be eligible for one or more benefits.
 - ◆ Potential value of benefits could be \$197 million.
 - ◆ Public-private approach to maintaining independence.
- Counselors address both immediate budget shortfalls and challenges to aging in place.
 - ◆ Help seniors to think strategically about home equity.
 - ◆ Discuss exit strategies to reduce foreclosure risk.

Potential Impact of Loss of HUD Funding

- Seniors will pay more in fees. Lenders prohibited from paying for HECM counseling.
- Upfront fees make it less likely that seniors will talk to a HECM counselor:
 - ◆ before they face a financial crisis, or
 - ◆ before they meet with a lender.
- Greater risk of scams when there is no free or low-cost HECM counseling.
- Smaller agencies may no longer be able to provide HECM counseling, resulting in less face-to-face counseling.

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