

# Lenders Compliance Group

Monday, January 17, 2011

## HECMs: February 1, 2011 Date Approaches

Counseling is a central feature of the Home Equity Conversion Mortgage (HECM) program. Without a counseling certificate from an FHA-approved provider, a lender may not originate a HECM. Counseling has always been part of the HECM program, going back to [Handbook 4235.1 Rev-1](#), which outlines the basic program. Published in 1994, it has been continuously revised through [Mortgagee Letters](#), [HECM regulations](#), and, of course, amendments to the HECM statute. [Handbook 7610.1](#) contains the HECM Counseling Protocol.

Recently, HUD issued Mortgagee Letter 2010-37, which seeks to clarify certain aspects of the required List of HECM Counseling Agencies (Counselors List), along with guidance about completing the FHA Connection case assignment screens for HECMs vis-à-vis the Counselors List, and the timing for completion of certain relevant screens.

The salient requirement: lenders are required to provide each client with a list of HECM counseling agencies and that list must include no fewer than nine HUD-approved counseling agencies, based on specific criteria.

**Compliance Effective: February 1, 2011**

[HUD WEBINAR ON HECMS – REGISTRATION](#)

**January 19, 2011 - 9:00 AM to 11:30 AM**

A free webinar is being offered by HUD, which will provide an overview and the latest updates to the HECM origination requirements.

Topics will include: HECM purchase transactions, refinances, and updates to the HECM process, HECM Standard and the new HECM Saver.

ALL TIMES MDT

**HECM COUNSELOR LIST BACKGROUND**

Mortgagees are required to provide each client with a list of HECM counseling agencies.

The Counselors List must include no fewer than nine (9) HUD-approved counseling agencies, based on specific criteria.

The Counselors List must include at least:

- five agencies within the local area and/or state of the prospective borrower
- one of the local agencies located within a reasonable driving distance for the purpose of face-to-face counseling, and
- the following four national intermediaries:
  1. National Foundation for Credit Counseling (NFCC)
  2. Money Management International (MMI)
  3. National Council on the Aging (NCOA)
  4. CredAbility

[Note: Earlier this month, the [National Reverse Mortgage Lenders Association](#) (NRMLA) sought guidance from FHA on the required actions lenders must take if they are unable to

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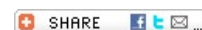
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provide a full list of counselors to a potential applicant, when the client lives in an area that does not have five HUD-approved counseling agencies, as required by the selection criteria.]

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## FHA CONNECTION HECM REFERRAL LIST REQUIREMENTS

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Within one (1) business day of requesting a FHA case number, a lender should complete the HECM Referral List Update in FHA Connection.

- The screen must be completed prior to a HECM loan being endorsed for insurance.
- This screen requires the lender to input the nine (9) agencies that the lender provided on the list given to the client.

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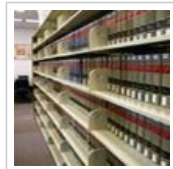
## WHEN A CLIENT IS NOT REFERRED

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In the FHA Connection, the mortgagee must check the "Not Referred" box only if a client has already been counseled by a HUD-approved HECM counselor.

- The client must be able to confirm that s/he has received counseling by providing the lender a completed the Certificate of HECM Counseling ([Form HUD 92902](#)), which verifies where and when the client received HECM counseling, and that counseling was received from a HUD-approved HECM counselor.

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**HUD-Approved Housing Counseling Agencies**  
Mortgagee Letter 2010-37  
November 8, 2010

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Lenders Compliance Group is the first full-service, mortgage risk management firm in the country, specializing exclusively in mortgage compliance and offering a full suite of services in mortgage banking. We are pioneers in outsourcing solutions for residential mortgage compliance. We offer our clients real-world, practical solutions to mortgage compliance issues, with an emphasis focused on operational assessment and improvement, benchmarking methodologies, Best Practices, regulatory compliance, and mortgage risk management.

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