

Exam Content Topics – What You Need to Know

There are four major content categories for the HECM Counselor Exam. These are presented below, along with the approximate percent and number of multiple-choice exam questions that will be included in each category. Following the table is a complete outline of the specific topics (content specifications) that may be addressed within each of the four content categories. The exam's 100 multiple-choice questions will not cover all of the specific topics listed but questions on any of the listed topics may appear on the exam.

CONTENT CATEGORY	Percent of Test	Number of Questions
I - Reverse Mortgage Basics	27%	27
II - HECM Costs and Benefits	35%	35
III - Alternatives to Reverse Mortgages	12%	12
IV - HECM Counseling	26%	26
	100%	100

1. Reverse Mortgage Basics (27% of total Exam)

1.1. Basic definitions and descriptions

- 1.1.1. reverse mortgage
- 1.1.2. home equity loan
- 1.1.3. "forward" mortgage
- 1.1.4. Rising Debt/Falling Equity
- 1.1.5. appreciation
- 1.1.6. open-ended vs. closed-ended credit
- 1.1.7. nonrecourse limit
- 1.1.8. use of loan proceeds: consumer choice, foreclosure prevention, home purchase, lien repayment requirements
- 1.1.9. first mortgage requirement
- 1.1.10. subordinated liens
- 1.1.11. cost financing
- 1.1.12. title retention
- 1.1.13. lender default
- 1.1.14. basic loan economics: principal limits, loan balances, residual equity
- 1.1.15. HECM Standard/HECM Saver

1.2. Reverse mortgage programs

- 1.2.1. HUD's Home Equity Conversion Mortgage (HECM)
- 1.2.2. Proprietary reverse mortgages in general
- 1.2.3. Roles of HUD, FHA

1.3. Eligibility

- 1.3.1. age

- 1.3.2. ownership: joint, living trust, life estate
- 1.3.3. residency requirements
 - 1.3.3.1. HECM Standard/HECM Saver
 - 1.3.3.2. HECM for Purchase residency requirement
- 1.3.4. property types
 - 1.3.4.1. one unit, single family
 - 1.3.4.2. two to four unit
 - 1.3.4.3. condominium
 - 1.3.4.4. manufactured home
 - 1.3.4.5. Planned Unit Developments
- 1.3.5. countable equity: HUD Lending Limits
- 1.3.6. pre-existing debt
- 1.3.7. Federal debt or delinquency
- 1.3.8. property standards
- 1.3.9. required repairs:
 - 1.3.9.1. limits on repairs after closing
 - 1.3.9.2. asides, riders
- 1.3.10. Borrower obligations/conditions of default/Due and Payable Events
 - 1.3.10.1. Residency
 - 1.3.10.1.1. maximum absence for health reasons
 - 1.3.10.1.2. maximum absence for other reasons
 - 1.3.10.2. ownership
 - 1.3.10.3. Maintaining property in good condition
 - 1.3.10.4. property taxes
 - 1.3.10.5. homeowner's insurance
 - 1.3.10.6. other property charges (HOA/condo fees)
 - 1.3.10.7. repayment
- 1.4. Loan documents
 - 1.4.1. Loan Agreement
- 1.5. Loan Process
 - 1.5.1. lender activities before counseling
 - 1.5.2. Right of Rescission
 - 1.5.3. Steps in reverse mortgage lending process (Appendix C4 in Protocol)
 - 1.5.3.1. HECM Standard & HECM Saver
 - 1.5.3.2. HECM for Purchase
 - 1.5.3.3. HECM Refinance
- 1.6. Loan servicing
 - 1.6.1. timely payment standards and penalties for lenders
 - 1.6.2. statements to borrowers
 - 1.6.3. Borrower default and foreclosure procedures
 - 1.6.4. loss mitigation process
 - 1.6.5. Prepayment
 - 1.6.5.1. No penalty

- 1.6.5.2. Effect on available funds
- 1.6.5.3. How prepayments are applied
- 1.6.6. refinancing
- 1.6.7. pay-off procedures
- 1.6.8. Pay off timelines
- 2. HECM Costs and Benefits (35%)
 - 2.1. Loan Advances
 - 2.1.1. determining loan amounts:
 - 2.1.1.1. Type of MIP (HECM Standard vs. HECM Saver)
 - 2.1.1.1.1. Add question re: smaller principal limit on Saver, reason for this, appropriate uses for product
 - 2.1.1.2. age,
 - 2.1.1.3. home value,
 - 2.1.1.4. lending limits,
 - 2.1.1.5. loan costs,
 - 2.1.1.6. effect of interest rates
 - 2.1.1.6.1. Higher rate=lower loan amount
 - 2.1.1.6.2. Effect of 5% expected rate floor
 - 2.1.2. program definitions:
 - 2.1.2.1. maximum claim amount,
 - 2.1.2.2. principal limit,
 - 2.1.2.3. net principal limit
 - 2.1.3. payment plans in general
 - 2.1.3.1. payment plan options
 - 2.1.3.2. payment plan changes
 - 2.1.4. initial lump sums:
 - 2.1.4.1. definition
 - 2.1.4.2. timing
 - 2.1.4.3. advantages & disadvantages
 - 2.1.4.4. connection with fixed rate HECMs
 - 2.1.5. creditlines:
 - 2.1.5.1. definition
 - 2.1.5.2. advantages & disadvantages
 - 2.1.5.3. creditline growth
 - 2.1.5.3.1. concept
 - 2.1.5.3.2. rate
 - 2.1.5.3.3. residual credit vs. residual equity
 - 2.1.5.4. accessing creditlines
 - 2.1.6. tenure advances:
 - 2.1.6.1. definition
 - 2.1.6.2. advantages & disadvantages
 - 2.1.7. term advances:
 - 2.1.7.1. definition,
 - 2.1.7.2. advantages & disadvantages

- 2.1.8. combinations of loan advance types
 - 2.1.8.1. Modified Term
 - 2.1.8.2. Modified Tenure
- 2.1.9. using HECM for home purchase
 - 2.1.9.1. required borrower investment
 - 2.1.9.2. Allowable sources of funds for Required Borrower Investment
 - 2.1.9.3. Modified definition of Maximum Claim Amount
- 2.2. Itemized Costs
 - 2.2.1. application fee
 - 2.2.2. origination fee
 - 2.2.2.1. purpose
 - 2.2.2.2. limits
 - 2.2.3. third-party closing costs:
 - 2.2.3.1. appraisal,
 - 2.2.3.2. credit report
 - 2.2.3.3. title insurance,
 - 2.2.3.4. document preparation
 - 2.2.3.5. recording fees
 - 2.2.3.6. endorsement, escrow/settlement fee, inspections, flood zone certification, title search, mortgage/intangible tax
 - 2.2.4. servicing fee:
 - 2.2.4.1. purpose
 - 2.2.4.2. limits,
 - 2.2.4.3. timing
 - 2.2.5. mortgage insurance premium (MIP):
 - 2.2.5.1. purpose
 - 2.2.5.2. amounts charged
 - 2.2.5.2.1. HECM Standard
 - 2.2.5.2.2. HECM Saver
 - 2.2.5.3. reduced MIP for HECM refinances
 - 2.2.6. interest:
 - 2.2.6.1. compounding of interest
 - 2.2.6.2. interest rate basics
 - 2.2.6.2.1. Indexes
 - 2.2.6.2.2. Margins
 - 2.2.6.3. Fixed vs adjustable rates
 - 2.2.6.4. HECM interest rates
 - 2.2.6.4.1. initial
 - 2.2.6.4.2. expected
 - 2.2.6.4.3. compounding
 - 2.2.6.5. HECM adjustable rate changes
 - 2.2.6.5.1. impact on loan advances
 - 2.2.6.5.2. impact on loan balances
 - 2.2.6.6. 5% floor on expected rate

- 2.2.7. HECM set-asides:
 - 2.2.7.1. Servicing
 - 2.2.7.2. Repairs,
 - 2.2.7.3. tax/insurance

2.3. Total Costs

- 2.3.1. Total Annual Loan Cost disclosure
 - 2.3.1.1. definition and purpose;
 - 2.3.1.2. Truth-in-Lending disclosure requirements,
 - 2.3.1.3. assumptions about appreciation, loan term, and creditline usage
 - 2.3.1.4. TALC patterns:
 - 2.3.1.4.1. basic pattern
 - 2.3.1.4.2. major variables (appreciation, tenure, payment plan)
 - 2.3.1.4.3. early magnitude
 - 2.3.1.4.4. changes over time
 - 2.3.1.4.5. exceptions
- 2.3.2. evaluating TALCs
 - 2.3.2.1. projections in relation to loan term, appreciation, payment plan

2.4. Residual Equity

- 2.4.1. potential importance for borrower
- 2.4.2. calculation
- 2.4.3. creditline use

2.5. Financial Implications

- 2.5.1. impact on estate and heirs
- 2.5.2. impact on public benefits:
 - 2.5.2.1. Social Security and Medicare,
 - 2.5.2.2. SSI (loan advances, annuity advances);
 - 2.5.2.3. Medicaid (loan advances, annuity advances),
 - 2.5.2.4. other programs
- 2.5.3. income tax: taxability, deductibility

3. Alternatives to Reverse Mortgages (12%)

3.1. Selling and moving

- 3.1.1. income from sale proceeds
- 3.1.2. impact on public benefits
- 3.1.3. housing options: types, definitions, advantages and disadvantages, locating programs

3.2. Sale leaseback

3.3. Refinancing current debt

3.4. Home equity loans

- 3.4.1. advantages & disadvantages
- 3.4.2. comparison to HECM

3.5. Home repair/improvement loans

- 3.5.1. locating programs
- 3.5.2. advantages & disadvantages

- 3.6. Property tax deferral loans
 - 3.6.1. locating programs
 - 3.6.2. advantages & disadvantages
- 3.7. Annuities
 - 3.7.1. definition
 - 3.7.2. advantages & disadvantages
 - 3.7.3. impact on public benefits
- 3.8. Investing loan proceeds
- 3.9. Aging network programs and services:
 - 3.9.1. how to locate
- 3.10. SSI
 - 3.10.1. Description
 - 3.10.2. application
- 3.11. Medicaid
 - 3.11.1. Description
 - 3.11.2. application
- 3.12. Legal services

4. IV. HECM Counseling (26%)

- 4.1. Who may provide counseling:
 - 4.1.1. Roster requirements
 - 4.1.1.1. Exam
 - 4.1.1.2. Training
 - 4.1.1.3. Staying on roster; Re-testing and continuing ed
 - 4.1.1.4. Reasons for removal
- 4.2. Consumer education role
- 4.3. Independence from lender
 - 4.3.1. Communications and referrals to/from lenders: prohibition on
- 4.4. Counseling requirements
 - 4.4.1. Individual, not group
 - 4.4.2. Can be face to face or phone
 - 4.4.2.1. borrower must be offered choice
 - 4.4.2.2. telephone counseling only if included in agency plan
 - 4.4.2.3. Borrower must make request for self
 - 4.4.3. Who must receive counseling:
 - 4.4.3.1. Required: all borrowers, or legal representative if borrower incompetent, non-owner spouse,
 - 4.4.3.1.1. Separate Sessions Permitted
 - 4.4.3.2. Recommended: quitclaiming owner, owners of remainder interest,
- 4.5. Counseling fees
 - 4.5.1. limits on
 - 4.5.2. disclosure
 - 4.5.3. waivers for hardship
 - 4.5.4. may be financed
 - 4.5.5. may not be paid by lender

- 4.6. Confidentiality
- 4.7. Counselor ethics
- 4.8. Counseling process
 - 4.8.1. screening
 - 4.8.2. intake:
 - 4.8.2.1. consumer data
 - 4.8.2.2. detecting potential abuse
 - 4.8.2.2.1. pre-counseling loan fees incurred
 - 4.8.2.2.2. fees owed to third parties
 - 4.8.2.2.3. purchases from third parties
 - 4.8.2.2.4. undue influence by third parties
 - 4.8.2.3. Identifying special needs
 - 4.8.2.3.1. Hearing
 - 4.8.2.3.2. Language
 - 4.8.2.3.3. POA
 - 4.8.2.3.4. Legal Capacity
 - 4.8.3. Pre-counseling info
 - 4.8.3.1. Mandatory packet
 - 4.8.3.2. Emergency counseling: conditions for waiver of precounseling packet
 - 4.8.4. consumer objectives
 - 4.8.5. consumer protection
 - 4.8.5.1. Cross-selling of annuities, other financial products
 - 4.8.5.2. Warning re: not signing proceeds over to loan officer or others
 - 4.8.5.3. Undue influence by family members, POA, others
 - 4.8.6. consumer resources and budgeting
 - 4.8.6.1. Use of FIT to assess client financial needs
 - 4.8.7. consumer options
 - 4.8.7.1. Required use of BCU for low-income and disabled to seek alternatives
 - 4.8.8. consumer advisories: suitability, eligibility
 - 4.8.9. Requirements for certain products
 - 4.8.9.1. HECM for Refi
 - 4.8.9.2. HECM for Purchase
 - 4.8.10. certificate:
 - 4.8.10.1. content,
 - 4.8.10.2. issuance or withholding
 - 4.8.10.2.1. assessing client comprehension
 - 4.8.10.2.2. use of FHA Connection to issue
 - 4.8.10.3. faxing to lender
 - 4.8.10.4. expiration
 - 4.8.11. record-keeping: required file elements
 - 4.8.12. post-counseling follow-up: timeframe, content of
- 4.9. Consumer competency
 - 4.9.1. conservators and guardians
 - 4.9.2. durable power of attorney

- 4.10. Program information sources
 - 4.10.1. HUD Handbook 4235
 - 4.10.2. HUD Handbook 7610.1- HUD policies for HECM counseling and housing counseling in general
 - 4.10.3. HUD HECM Mortgagee letters

Effective Date & State Variations

To meet HUD's requirement for a "uniform national exam," this exam is based solely on the **national HECM program** and related information **as of the date the exam is taken**.

All counselors should be alert to any new federal law, regulation, handbook, mortgagee letter, or other official HUD policy or program change that relates to the HECM program. The exam's questions and answers will be modified as needed based on the effective date of any such changes.

All counselors are responsible for knowing how the national HECM program operates, and you are being tested solely on the national program. If your state has additional restrictions or limitations, such as those in Texas, North Carolina, Massachusetts, and some other states, you will need to understand that information for your counseling but it will not be on this test.