

Response to OMB
HECM Client Evaluation
Form 2502-0585

1 Process for random program evaluation for performance reviews:

Section 3-8 of the Standard Operating Procedures for Biannual Reviews instructs HUD reviewers regarding the random

Selection of Review Files - Prior to the performance review, the reviewer should request that the agency provide a listing of all clients (by name or number) counseled since the date of the last review, or for a time frame appropriate for the upcoming review. This request may be included in the scheduling letter sent to the agency. The list should be chronological and should include the type of counseling performed, the date of initial contact, and the client's address.

The reviewer should then randomly select an appropriate number of clients to survey from this list, and alert the agency to pull or download these files for review during the performance review. This list should include files from branch offices if applicable. If the reviewer will be reviewing branch files, it is essential to request these files prior to the review. Please note this process is not applicable to branches of MSOs because staff will be conducting reviews of these branches on site.

There is not an established number of files to randomly select and review. If a pattern of noncompliance is found, the reviewer may want to review more files either at the performance review or on a return visit. Generally, the average number of files sampled is 20 files.

2 Examples of the valuable feedback that the results provide to HUD:

Examples of feedback specific to HECM would include:

A: Client indicates that the payment of property taxes and hazard insurance was not covered by the counselor. This is of significant importance given the current level of HECM defaults due to taxes and insurance.

B: the Counselor did not cover alternative to the reverse mortgage program. There are situation where the clients unique and individual problems can be resolved without use of the HECM program. An example of this would be a client who needs a new heating system and can be referred to a local community action agencies weatherization program for a grant or low interest loan based on their income.

C: Clients have indicated that counselors have not discussed their individual financial situation and completed a financial analysis. This is a critical step in helping the client to understand the need for long term financial planning with HECM proceeds and how to plan for future tax and insurance, property maintenance, rising health issues to name a few. A client that has indicated that this did not take place is at a greater risk to default on their loan.

D: The client indicates on the evaluation form that the counselor stated that he had relationship with a specific lending institution which is prohibited. Counselors may not steer a client to any specific lender under any circumstance. This information helps HUD to determine if lender steering is taking place. It also provides leads to determine whether counselors and lenders are engaging in predatory lending practices.

3 Process for receiving complaints:

Should responses to the questionnaire result in concerns that are worthy of investigation, the HUD staff member conducting the associated performance review will note the concern, for example as a finding, in the review report, and, as with all findings noted in the review, subsequently work with the counseling agency and other stakeholders, as appropriate, to resolve the finding and make sure the counseling agency complies with programmatic requirements. Some complaints may involve referral to other entities, for example FHA Lender Compliance Office.

Complaints are also registered in other forms, for example through HUD field offices, correspondence and phone calls. These complaints are assigned to the housing counseling agency HUD point of contact for the agency, who investigates and follows up as appropriate.

From Handbook 7610.1 Housing Counseling Program

4-19 Concerns or Complaints Regarding a HECM Lender or Reverse Mortgage Counselor. If a consumer, lender, counselor or representative from the housing industry has a concern or complaint about the services provided by a particular HECM lender or reverse mortgage counselor, they should immediately contact the (Office of Housing Counseling)

HUD Homeownership Center in their jurisdiction. See Appendix 1 for HUD Homeownership Center contact information.