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A HUD-Approved Housing Counseling Agency



www.CambridgeCredit.org

Re: Committee Bill No. 5651

My name is Tony Lopes, and I serve as Housing Director for Cambridge Credit Counseling, a national non-profit credit and housing counseling agency located just over the Massachusetts state line in Agawam. Cambridge is approved through HUD as a HECM Counseling Agency. Since 1996 Cambridge has provided services to more than 35,000 Connecticut residents looking for assistance with their financial concerns, including budget counseling, debt management programs, free financial literacy seminars, bankruptcy and foreclosure avoidance counseling programs. Although we understand and support the motivation behind this piece of legislation, our agency is opposed to Committee Bill 5651.

Ten thousand baby boomers turn 65 every day, and a 2012 AARP survey revealed that 25% of them have no personal retirement funds. It is inevitable that more seniors will need to turn to their largest asset to fund or supplement their retirement. Adding a face-to-face counseling requirement will only make it more difficult for those seniors to receive the counseling they require for a HECM loan.

You may not know that HUD already requires that *all* reverse mortgage loan applicants be offered face-to-face counseling. Interestingly, however, national statistics show that 98% of seniors opt for phone counseling, even when an agency is nearby. Legislation like Committee Bill No. 5651 would strip seniors of that choice. Instead, seniors would be required to either drive or arrange to be brought to an approved agency, or hope they can find a counselor willing to come to them and provide in-home counseling. For seniors who are housebound or uncomfortable driving long distances, this is an unnecessary and burdensome obstacle.

As I sit before you today, there are only 4 HUD-certified counselors providing services in Connecticut: one counselor in Waterbury; and one each in East Hartford, New Haven and Stamford. In 2014, 696 reverse mortgage loans were originated in Connecticut, and with more baby boomers reaching age 62 every day, this number is certain to remain high for some time. *There is simply no way that 4 counselors would be able to provide the in-person counseling that this bill would require.* And given the geographic distribution of elderly residents across the state, why would anyone want to go out of their way to burden seniors who live in Tolland, Litchfield, Middlesex and Windham counties, where there are no counselors to provide services?

As your task force undoubtedly learned, there are two states that currently require face-to-face counseling, Massachusetts and North Carolina. North Carolina has required face-to-face counseling since the inception of the HECM product, and their counseling program is completely state funded. Unlike Connecticut, however, North Carolina has an ample number of agencies and counselors - 24 agencies with 55 certified counselors on staff, yet they still allow clients to opt out of face-to-face counseling if it will cause them a hardship to travel. In Massachusetts, the in-person requirement has only been in effect since August 2014, but we are already seeing problems. Many smaller counseling agencies have wait times of more than one month for counseling, and those delays are increasing.

What are these applicants expected to do in the meantime? Will the face-to-face requirement effectively force some to seek less appropriate financing alternatives? And beyond this unpleasant thought there is an equally unnecessary outcome from this bill: seniors who need counseling in languages other than English

will be affected even more severely. If allowed to access HUD's national database of certified counselors, they would be able to learn about this complicated loan product over the phone in their own language. If this bill is enacted as written, there is little chance that a senior would be able to do so.

There is also a cost factor to the delivery of in-person counseling that should not be ignored. Many legislators are under the impression that a counseling agency can charge no more than \$125 for a HECM Counseling session. This is simply not the case. In 2011 HUD issued Mortgagee Letter 2011-09 (see attached), which lifted the \$125 session fee cap and allowed for agencies to charge a fee that "is reasonable and commensurate with the services provided." Face-to-face and in-home sessions are more costly, and that burden will invariably be passed on to the applicant. Agencies are required to pay mileage reimbursement to counselors traveling in their personal vehicles. For clients in distant locations, this mileage and the counselor's time could easily push the cost of counseling beyond \$300 per session. Again, this is simply unnecessary.

HUD has also issued guidance that any counselee below 200% of the federal poverty level should not be charged up-front for HECM counseling. While many organizations have secured grant funds allowing them to provide free counseling, the reality is that funding continues to be reduced. Most agencies run out of funding before the end of the year and have to charge seniors directly. Statistics show that only one of every two seniors counseled decides to move forward with a reverse mortgage. If agencies need to defer their fee to closing, they will only end up receiving payment for half of the work they are performing. While agencies are non-profit, we also need to make sure that the programs we offer are sustainable. Maintaining a HECM Counseling program under those circumstances would simply not be feasible.

The best way to ensure that every applicant understands the reverse mortgage they are considering, no matter their income, is to focus on the quality of counseling, as HUD is doing. In 2009, HUD introduced a new protocol requiring more comprehensive counselor training, standardized testing, and continuing education. HUD is already providing the safeguards that this legislative initiative is groping for, without overburdening agencies or inconveniencing seniors in the process. On the surface, the proposed legislation *seems* like a good idea, but, in reality, it would only hurt the majority of those it is designed to protect. For all of the reasons I've cited today, my agency is strongly opposed to Committee Bill NO. 5651.

Respectfully,

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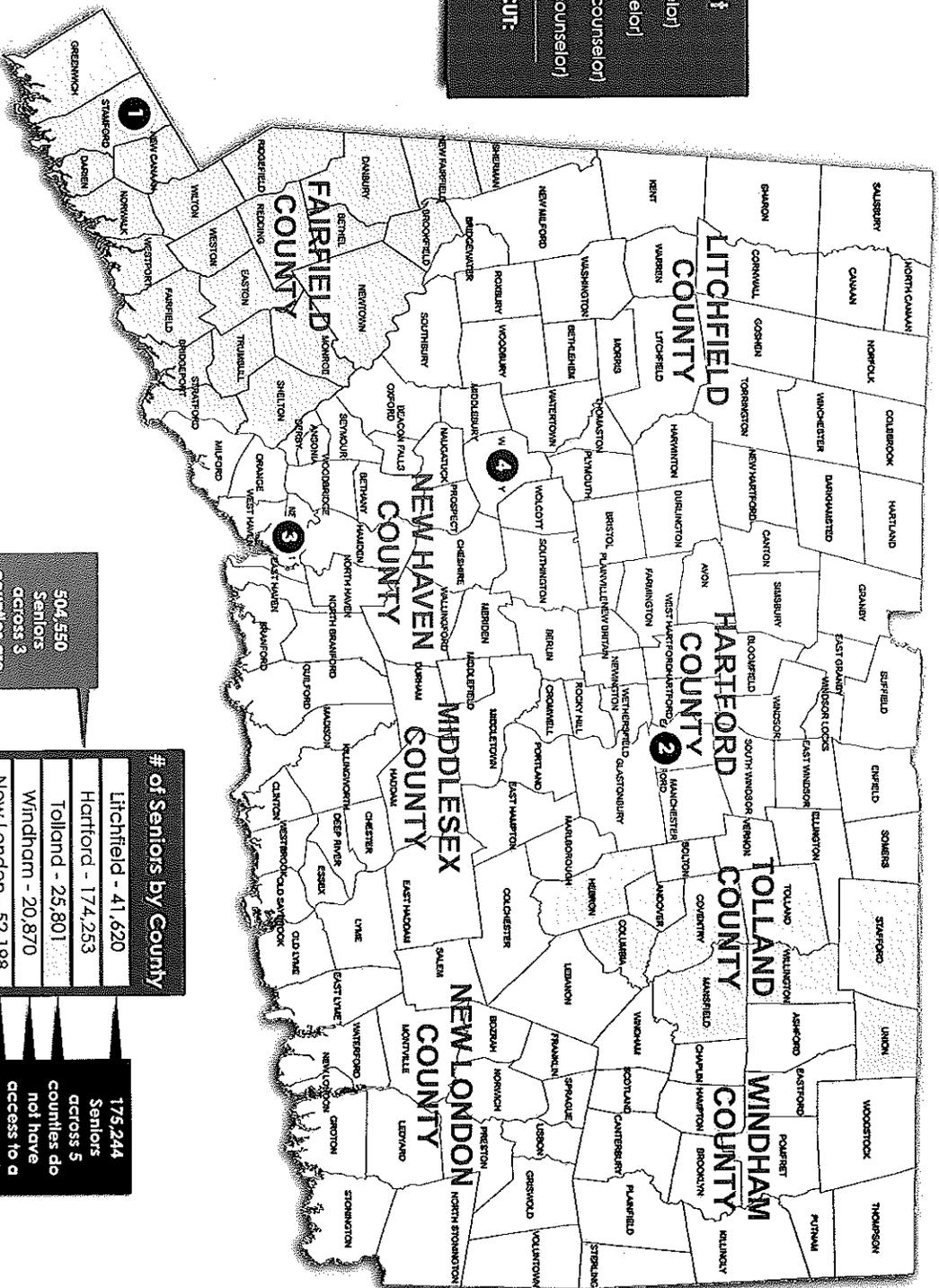
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REVERSE MORTGAGE (HECM) COUNSELORS IN CONNECTICUT

HECM Counselors in Connecticut:

1. Housing Development Fund, Inc. (1 counselor)
2. Money Management International (1 counselor)
3. Neighborhood Housing Services - New Haven (1 counselor)
4. Neighborhood Housing Services - Waterbury (1 counselor)

TOTAL HECM COUNSELORS IN CONNECTICUT: 4



504,550 Seniors across 3 counties are served by a total of 4 counselors

# of Seniors by County	
Litchfield	- 41,620
Hartford	- 174,253
Tolland	- 25,801
Windham	- 20,870
New London	- 52,198
Middlesex	- 34,755
New Haven	- 164,242
Fairfield	- 166,055
TOTAL SENIORS IN CT:	679,794

175,244 Seniors across 5 counties do not have access to a counselor in their county



Connecticut Fair Housing Center

Testimony in Support of House Bill 5651 and in Opposition to Senate Bill 920

Good afternoon Senator Leone, Representative Lesser, and distinguished members of the Banking Committee. My name is Pamela Heller, and I am a staff attorney at the Connecticut Fair Housing Center. I am here to testify in support of House Bill 5651: An Act Implementing the Recommendations of the Reverse Mortgage Task Force. I am also briefly testifying in opposition to Senate Bill 920: An Act Concerning Mortgage Correspondent Lenders.

House Bill 5651 would implement the recommendations made by the task force created last year. The recommendations are sound, including a requirement of in-person counseling for borrowers considering a reverse mortgage, a seven-day “cooling off” period for borrowers, and making violations of the counseling requirements a per se violation of the Connecticut Unfair Trade Practices Act (CUTPA).

Reverse mortgage loans help many seniors by allowing them to liquidate their home equity, but these transactions also lead to confusion and misunderstanding. The Consumer Financial Protection Bureau has recently released an advisory for consumers in reverse mortgage transactions based on its database of complaints that demonstrate a high level of misunderstanding of the terms and provisions of this type of loan. As an attorney representing homeowners facing foreclosure, I regularly witness this confusion firsthand, and it’s difficult to explain to seniors who have lived in this home for most of their life that they will now have to find somewhere new to live. They thought the reverse mortgage would protect them, and they didn’t understand that if they aren’t a borrower, they have to leave when their spouse dies. They didn’t know that if they fell behind on their taxes, the bank could foreclose on them.