

CALIFORNIA 7 DAY COOLING OFF PERIOD REQUIREMENTS UPDATE

Purpose

The purpose of this bulletin is to restate and update California requirements regarding required disclosures, counseling, timing for when certain fees may be incurred on the borrower's behalf, and when other activities related to the origination and processing of a loan may be performed.

Implementation

These requirements are effective for all California loans with applications taken on or after August 22, 2017.

Required Disclosures

Prior to counseling, the applicant must receive the list of HUD-approved counseling agencies as well as the required Reverse Mortgage Worksheet Guide and Important Notice to Reverse Mortgage Loan Applicant disclosures. These disclosures are available in the proposal package for California loans, along with the existing CA-required list of HUD-approved counseling agencies. These disclosures must meet the below requirements:

Reverse Mortgage Worksheet Guide

- Must be received by the applicant prior to counseling and before taking an initial application
- If the borrower obtains counseling prior to contacting the loan originator, the counselor must provide the borrower the copy of the form, and the borrower must certify at application that they received the form prior to counseling

Important Notice to Reverse Mortgage Loan Applicant

- Must be received by the applicant prior to counseling and before taking an initial application
- If the borrower obtains counseling prior to contacting the loan originator, the borrower must certify at application that they received the form prior to counseling

California 7 Day Cooling Off Period Acknowledgement

- Must be received by the applicant at the time they sign the initial application disclosures



Requirements

A final and complete application cannot be accepted, and no fees may be assessed upon a prospective applicant until the lapse of seven (7) days from the date of counseling (i.e., the 8th day following counseling). Counseling must be conducted in person, unless the certification specifies that the applicant elected to receive the counseling in a manner other than in person. The certification must be signed by the borrower and the agency counselor, and shall include the date of the counseling, name, address, and telephone number of both the counselor and the applicant.

The following activities are permissible prior to counseling:

1. Explain the reverse mortgage to the prospective client;
2. Discuss whether the prospective borrower is eligible;
3. Provide information regarding the fees and charges associated with the reverse mortgage;
4. Describe the potential financial implications of a reverse mortgage loan for the client;
5. Provide the borrower with copies of the mortgage, note, and Loan Agreement
6. Use automated valuation models (AVMs) to perform a preliminary estimation of the value of the property; and
7. Complete the initial application package, providing the required disclosures either prior or in conjunction with the initial application.

The following processing functions may be performed during the 7-day cooling off period after counseling:

1. Order a credit report to perform a preliminary credit review of the borrower's financing obligations; and
2. Order a preliminary title search.

The following activities are NOT permitted until after the expiration of the 7-day cooling off period:

1. A final and complete application may not be accepted;
2. The appraisal cannot be ordered;
3. The title search may not be ordered; and
4. The FHA case number may not be ordered.

These requirements are in addition to the federal requirement that no fees (other than the credit report) may be charged to the applicant until the applicant has received initial TILA/RESPA disclosures and indicated an intent to proceed. Therefore, on CA loans, no fees, including the credit report fee, may be assessed until both the [Intent to Proceed](#) has been received and the above requirements have been met.



FAQs

- Q What should be done if the loan application was taken with another lender and transferred to LHFS, however the file contains no evidence the pre-counseling disclosures were provided?
- A Case transfers must include evidence the required disclosures were received by the borrower prior to counseling. LHFS requires a signed and dated copy of the Important Notice to Reverse Mortgage Loan Applicant and the Reverse Mortgage Worksheet Guide. The signature date must be prior to the date upon which counseling was provided. If no evidence exists that the pre-counseling disclosures were provided by the original lender, the loan will need to be re-started.
- Q If the appraisal was ordered prior to the expiration of the 7-day cooling off period may we accept the loan?
- A Any fees/services for which the applicant may be held liable in the event the transaction does not close are prohibited if they are ordered prior to the 8th day following counseling. In this scenario LHFS will not accept the loan and the loan will need to be re-started.

Resources

- [California Assembly Bill 1700](#)

