An Exploration of HECM Counselors Awareness and Training in Identifying Home Equity Conversion Mortgage (HECM) Fraud

Danielle Fischer, Kansas State University
Melissa J. Wilmarth, Ph.D., University of Georgia
Martin Seay, Ph.D., Kansas State University
Andrew Carswell, Ph.D., University of Georgia

Over the last decade, mortgage fraud, most often committed in primary mortgage loan originations, has swept the United States. In recent years, the receding housing market has limited the opportunities to capitalize on primary mortgage fraud and fraudsters have moved into the Home Equity Conversion Mortgage market (HECM) market. This study reports the results of a nationally distributed survey exploring the growth of HECM fraud and the role of housing counselors in its identification. Two aspects of HECM counseling were explored: the complexities involved in HECM counseling and counselors awareness and training in identifying HECM fraud. Of the counselors surveyed, 52% reported only a limited awareness of HECM fraud, as compared to 34% for primary loan mortgage fraud. Furthermore, 48% reported limited awareness of fraud when performing HECM counseling, as opposed to 34% when conducting traditional housing counseling. Interestingly, the majority of respondents indicated that HECM fraud was at least a moderate problem nationally, but 76% indicated that it was either not a problem or a minor problem for their clients. In terms of training, only 52% of respondents reported receiving any training to identify HECM fraud, as compared to 72% for primary mortgage fraud. Overall, the results of this survey are vital to establish the awareness and training the HECM counselors have in identifying fraudulent activity and protecting their clients.

Acknowledgements

The authors would like to thank the Georgia Real Estate Fraud Prevention and Awareness Coalition (GREFPAC) for providing financial assistance that helped make this research possible.

1 Research Assistant, School of Family Studies and Human Services, 318 Justin Hall, Kansas State University, Manhattan, Kansas, USA. Email: dspell@k-state.edu.
2 Lecturer, Department of Housing and Consumer Economics, 205 Dawson Hall, University of Georgia, Athens, Georgia, USA. Email: wilmarth@uga.edu.
3 Assistant Professor, School of Family Studies and Human Services, 318 Justin Hall, Kansas State University, Manhattan, Kansas, USA. Email: mseay@k-state.edu.
4 Associate Professor, Department of Housing and Consumer Economics, 205 Dawson Hall, University of Georgia, Athens, Georgia, USA. Email: carswell@fcs.uga.edu.