

Statement of Lynn Wertzler in Support of HB 2510
Before
House Revenue Committee
Salem, Oregon
February 22, 2013

Good morning Chairman Barnhart, Vice Chairs Berger and Bailey and members of the Revenue Committee. My name is Lynn Wertzler and I am President of Greenleaf Financial. My company is a licensed Oregon Residential Mortgage Broker and we specialized in reverse mortgages exclusively. I am also a licensed Oregon Mortgage Originator and I've personally originated over two thousand reverse mortgages in the Northwest since 1993. Additionally, I've been an Oregon taxpayer and resident living in Washington County since 1972.

The purpose of my testimony is to voice support for changes to the Senior Property Tax Deferral Program as proposed in the Amendments to HB 2510. Additionally, I would like to offer some brief comments about reverse mortgages.

The most significant problem related to reverse mortgages is that there is a widespread misunderstanding and general lack of factual knowledge of reverse mortgages.

A reverse mortgage is a real estate loan available to homeowners over 62 years of age that enables a borrower to convert part of the equity in their home into cash. The reverse mortgage is similar to most mortgages except there are no repayment requirements as long as one borrower continues to own and occupy the home. Interest is accrued and added to the loan balance which is repaid when the home is sold or otherwise vacated. Reverse mortgages are non-recourse which means that the repayment obligation can never be greater than the value of the home. The borrowers continue to be the owners on title to the property.

The homeowners are obligated to keep property taxes current or be accepted in a deferral program, maintain hazard insurance and not let the home fall into disrepair. Provided the borrowers meet these requirements, there is no danger of being forced out of their home. Reverse mortgages are typically used to pay off debts (including traditional mortgages), help cover basic monthly living expenses or pay for health care. Reverse mortgage funds can be available to the homeowner as upfront cash, a line of credit to draw from as needed or a fixed monthly loan advance.

My comments about reverse mortgages relate to the FHA reverse mortgage program called the Home Equity Conversion Mortgage or 'HECM' because the HECM represents over 99% of the reverse mortgages existing today. The program was thoughtfully designed by the U.S. Department of Housing and Urban Development (HUD) and signed into law by Ronald Reagan in 1988 with the purpose of providing a financial tool for senior homeowners with limited incomes that would help them continue to age in their own homes comfortably with dignity and independence.

A HECM is not a government loan. It is a loan issued by a private bank, but insured by the Federal Housing Administration, which is part of HUD. Together with HUD, other federal regulatory agencies including the new Consumer Financial Protection Bureau as well as state regulators, have imposed very strict guidelines, rules and regulations for reverse mortgage lenders, brokers and originators. In fact, the reverse mortgage may be one of the most highly regulated of all consumer products. A key consumer protection is a federally mandated counseling session with an independent third party HUD approved reverse mortgage counselor before any lender can begin processing a reverse mortgage application.

The majority of reverse mortgage lenders and originators are members of the National Reverse Mortgage Lenders Association. This Association requires strict compliance with ethical and professional guidelines.

I hope that my comments have dispelled the misconception that reverse mortgages are some type of scam. Unfortunately, time does not permit a debunking of all the misconceptions about reverse mortgages. However, reverse mortgages offer a very effective and secure solution to a societal problem where many seniors do not have adequate retirement incomes to get through their retirement years. Reverse mortgages allow these folks to borrow against their own equity without the burden of monthly repayments and thus covering the gap between their limited income and their ongoing living costs.

Most of the clients that I have encountered over the years are honest and hardworking citizens. Many of the senior homeowners who would benefit from property tax deferral are living only on a limited social security income with little to no savings. Typically, they have owned their modest home for a number of decades while property values and property taxes have increased over time to a burden beyond their capacity. All have the common goal of being able to live out their remaining life in their own home, independently with comfort and dignity. For many, this goal is achievable only with the combination of a reverse mortgage and property tax deferral.

Again, I fully support all the proposed Amendments to HB 2510 and as other testimony has stated, this important assistance is a less costly alternative to public support that may be necessary otherwise.

Thank you for considering my testimony.

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