

PRELIMINARY STAFF MEASURE SUMMARY**CARRIER:**

House Committee on Consumer Protection and Government Effectiveness

REVENUE: No revenue impact**FISCAL: No fiscal impact****SUBSEQUENT REFERRAL TO: None****Action:****Vote:****Yeas:****Nays:****Exc.:****Prepared By:** Wendy Simons, Administrator**Meeting Dates:** 2/12

WHAT THE MEASURE DOES: Requires lender, or agent or affiliate of lender, to provide summary of certain provisions in advertisements and communications intended to induce consumers to apply for or enter into reverse mortgage contract. Becomes operative January 1, 2016. Applies to reverse mortgage transactions occurring on or after operative date. Declares emergency, effective upon passage.

ISSUES DISCUSSED:**EFFECT OF COMMITTEE AMENDMENT:**

Proposed -1 amendment: Exempts licensed mortgage bankers and brokers, people licensed to make consumer loans, and licensed financial institutions from the requirements to provide disclosures under the bill.

BACKGROUND: Reverse mortgages are financial agreements allowing homeowners aged 62 or older to borrow against the accrued equity in their homes. Funds are made available to the borrower as a line of credit, cash advance, or periodic disbursements to be repaid with interest when the borrower dies, moves permanently from the home, or sells the home. The reverse mortgage market currently accounts for one percent of the traditional mortgage market, but is expected to grow as the baby boom generation retires. A 2010 Federal Reserve study found that 41 percent of Americans 55-64 years old have no personal retirement account and that the median retirement account balance for this age group is \$103,200. However, 74 percent of this age group are homeowners, with homeowners 62 and older holding a combined \$3.84 trillion in equity in their homes according to the National Reverse Mortgage Lenders Association.

A February 2015 report on consumer complaints related to reverse mortgages by the federal Consumer Financial Protection Bureau finds that many consumers do not fully understand the terms of these contracts, and have had disputes with loan servicers over the application of contract terms relating to refinancing, paying off reverse mortgage debt, and foreclosures due to non-payment of property taxes or homeowner association dues. House Bill 2532 requires that advertisements and communications intending to solicit reverse mortgage loan applications and contracts must include, at a minimum, the disclosures specified in the bill.