



9200 SE Sunnybrook Boulevard, #410 | Clackamas, OR 97015
1-866-554-5360 | Fax: 503-652-9933 | TTY: 1-877-434-7598
aarp.org/or | oraarp@aarp.org | twitter: @aarpor
facebook.com/AARPOregon

AARP Oregon Testimony on SB 98 – Mortgage Servicing

April 5, 2017

TO: Senate Committee on Business and Transportation, Sen. Beyer, Chair

FROM: Jon Bartholomew, Government Relations Director, AARP Oregon

AARP Oregon is pleased to support SB 98, which would ensure that all mortgage loan servicers, including reverse mortgage servicers, are held to certain standards to ensure consumer protection.

Data from the U.S. Census Bureau in 2014 indicates that about 350,000 Oregonians over 50 years old are homeowners. I do not have data to show how many of these homeowners still have mortgages or how many have reverse mortgages, but it's a fair assumption that a majority of these individuals have mortgages of some kind. About 120,000 Oregonians over 65 are homeowners.

For many of these homeowners, their housing costs are a significant burden on their household budgets. The table below shows that almost half of all homeowners over 65 spend over 30% of their income on housing, and over 20% spend over 50% on housing.

Age 65+ Cost Burden - Homeowners	120,998	
<30% of income	64,744	53.5%
30-49% of income	30,359	25.1%
50%+ of income	25,895	21.4%

Since 2004, 7 million homes in the United States have been lost to foreclosure. According to CoreLogic, this accounts for 15 percent of all mortgages. AARP research found that 1.5 million loans of people age 50 and older were foreclosed from 2007 to 2011. Foreclosure rates have decreased in most states since 2011, but remain high above the historical norm.

Over the past two decades, the amount of mortgage debt carried by homeowners age 65 and older has increased sharply, from an average of \$30,732 in 1989 to \$117,909 in 2013. The

percentage of families age 65 and older that carry mortgage debt more than tripled from 15.4 percent in 1989 to 32 percent in 2013. Mortgages are a concern for many older Oregonians.

AARP policy states that states should prohibit lenders, brokers, mortgage servicers, and all mortgage-related (including title insurance) professionals from engaging in unfair, deceptive, or unconscionable practices in connection with mortgage transactions. SB 98 has at its core, ensuring that ALL mortgage servicers are held to standards that protect consumers. AARP supports this proposal also because *reverse* mortgage servicers are included in the legislation.

To qualify for a reverse mortgage, borrowers have to be at least 62, own their home outright or carry a mortgage small enough to be paid off by the proceeds. There are no income or credit qualifications, although homeowners are responsible for paying the annual taxes, property insurance and maintenance. No loans have to be repaid until the owners move or die, in which case the bank takes its share and anything left goes to the heirs. However, if the owner fails to pay insurance and property taxes, the reverse mortgage is deemed in default and the owner is in danger of foreclosure.

For some people, a reverse mortgage is a lifeline that provides needed resources, but some practices by lenders have led to numerous reforms and lawsuits at the federal level. One example is that previously, spouses could be evicted from their homes if their name wasn't on the reverse mortgage and the person who was, died. Spouses sometimes were not allowed on the reverse mortgage because they weren't 62 yet. A lawsuit filed by AARP Legal Services for the Elderly led to changes in the rules that prevents that from happening.

This proposal addresses the companies that *service* mortgages and AARP feels that reverse mortgage servicers need scrutiny just as much as any other servicers. One AARP Oregon volunteer who lives in West Linn has experienced the following issues with her reverse mortgage servicer:

- Unresponsive to repeated requests for information about her loan
- Not providing tax statements until after repeated requests after the deadline for providing tax statements (she paid the interest on her reverse mortgage)
- Providing incorrect tax statements when they finally were provided

While there are other issues that need to be worked on regarding reverse mortgages, SB 98 addresses some by ensuring that servicers of these loans, as well as traditional mortgages are held to certain standards. AARP Oregon urges you to support SB 98.