

HB 2562 A STAFF MEASURE SUMMARY

Carrier: Rep. Witt

House Committee On Business and Labor

Action Date: 04/12/17

Action: Do pass with amendments. (Printed A-Eng.)

Vote: 8-0-1-0

Yeas: 8 - Barreto, Bynum, Doherty, Evans, Fahey, Heard, Holvey, Kennemer

Exc: 1 - Hack

Fiscal: No fiscal impact

Revenue: No revenue impact

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WHAT THE MEASURE DOES:

Requires lender for reverse mortgage to annually send notice to borrower or any escrow agent, title insurance company or other agent paying property taxes from escrow. Provides exception for contract for reverse mortgage that includes reserve account for taxes. Specifies that notice is to inform recipients that borrower retains title to property and is responsible for paying property taxes, insurance, maintenance and related taxes, and that failure to pay the taxes and fees may cause reverse mortgage to become due immediately. Provides that the notice must be provided every year at least 60 days prior to date property taxes are due. Removes exemption mortgage brokers and mortgage bankers have from providing specified information in any communication, solicitation or advertisement for reverse mortgage contracts.

ISSUES DISCUSSED:

- Confusion reverse mortgage contract signers may have as to responsibility to pay property taxes
- Importance of reviewing escrow account statements

EFFECT OF AMENDMENT:

Specifies that annual notice regarding responsibility to pay property taxes must be sent to borrower or to escrow agent, title insurance company or other agent that pays property taxes from escrow account. Exempts from annual notice requirement contracts for reverse mortgage that include reserve account for taxes and financial institutions defined in ORS 706.008 and licensed consumer finance lenders. Removes exemption mortgage brokers and mortgage bankers have from providing specified information in any communication, solicitation or advertisement for reverse mortgage contracts.

BACKGROUND:

A reverse mortgage is a contract that allows the borrower to receive loan proceeds from the lender in either a lump sum or in monthly installments. When the borrower sells the property securing the loan, the proceeds of the sale are used to pay off the lender. Certain lenders of reverse mortgages must describe how a reverse mortgage works and provide information on interest, fees and taxes in their advertisements, solicitations and communications. Insured banks and credit unions are exempt from the disclosure requirements, as are licensed consumer finance lenders, mortgage bankers and mortgage brokers.

House Bill 2562-A requires reverse mortgage lenders to provide annual notice to the borrower stating that the borrower remains responsible for paying property taxes, insurance, maintenance and related taxes. The notice must also be sent to any escrow agent or title company that pays the borrower's property taxes from escrow. The annual

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notice must be made at least 60 days before property taxes are due. If there is a reserve account for taxes, the lender is exempt from the notice requirement. The notice requirement does not apply to financial institutions as defined in ORS 706.008 or to licensed consumer finance lenders. Mortgage bankers and brokers are subject to the notice requirement and must provide a clear and conspicuous summary of the contract terms in all advertisements, solicitations and communications regarding their offer of reverse mortgage contracts.