

A-Engrossed
House Bill 2562

Ordered by the House April 13
Including House Amendments dated April 13

Sponsored by Representative WITT; Representatives HACK, PILUSO (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Requires lender that has contract with person for reverse mortgage to send person **or escrow agent, title insurance company or other agent that pays property taxes on person's behalf** notice that states that title to property that is subject to reverse mortgage remains with person and person is responsible for paying property taxes and related taxes on property. Provides that lender must send notice each year at least 60 days before property taxes are due on property.

A BILL FOR AN ACT

1
2 Relating to notices required from lenders with contracts for reverse mortgages; amending ORS
3 86A.196.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 86A.196 is amended to read:

6 86A.196. (1) Before entering into an agreement with a borrower for a reverse mortgage, *[the]* a
7 lender shall notify the borrower in writing of the provisions of ORS 311.700 (2).

8 (2)(a) In any advertisement, solicitation or communication that a lender or an agent or affiliate
9 of the lender intends as an inducement for a person to apply for or enter into a contract for a re-
10 verse mortgage, the lender or the agent or affiliate of the lender shall include a clear and conspic-
11 uous summary of the terms of the reverse mortgage. The summary must, at a minimum, disclose
12 these provisions of the reverse mortgage loan contract to the extent that the contract includes the
13 provision:

14 (A) At the conclusion of the term of the reverse mortgage loan contract, some or all of the eq-
15 uity in the property that is the subject of the reverse mortgage no longer belongs to the person and
16 the person may need to sell or transfer the property to repay the proceeds of the reverse mortgage
17 from the proceeds of the sale or transfer or the person must otherwise repay the reverse mortgage
18 with interest from the person's other assets.

19 (B) The lender will charge an origination fee, a mortgage insurance premium, closing costs or
20 servicing fees for the reverse mortgage, all or any of which the lender will add to the balance of the
21 reverse mortgage loan.

22 (C) The balance of the reverse mortgage loan grows over time and the lender charges interest
23 on the outstanding loan balance.

24 (D) The person retains title to the property that is the subject of the reverse mortgage until the
25 person sells or transfers the property and is therefore responsible for paying property taxes, insur-
26 ance, maintenance and related taxes. Failing to pay these amounts may cause the reverse mortgage

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.
New sections are in **boldfaced** type.

1 loan to become due immediately **and may subject the property to a tax lien or other**
2 **encumbrance or to possible foreclosure.**

3 (E) Interest on a reverse mortgage is not deductible from the person's income tax return until
4 the person repays all or part of the reverse mortgage loan.

5 (b) As used in paragraph (a) of this subsection:

6 (A) "Clear and conspicuous" means:

7 (i) In larger type than the surrounding text or in a type, color or font that contrasts with sur-
8 rounding text of the same size or set off from surrounding text by symbols or other marks in a
9 manner that draws attention; or

10 (ii) Spoken in a volume and cadence that is sufficient to enable a reasonable person to hear and
11 understand.

12 (B) "Reverse mortgage" means a residential mortgage transaction in which the lender provides
13 loan proceeds to a borrower in a lump sum or in monthly installments with the expectation that the
14 borrower will repay the loan from the proceeds of a sale or transfer of the real property that se-
15 cures the loan.

16 *[(c) Paragraphs (a) and (b) of this subsection do not apply to a financial institution as defined in*
17 *ORS 706.008, a licensee as defined in ORS 725.010 or a mortgage banker or mortgage broker that is*
18 *licensed under ORS 86A.106.]*

19 **(3)(a) A lender who has a contract with a person for a reverse mortgage each year shall**
20 **send a notice with the information specified in subsection (2)(a)(D) of this section to the**
21 **person or to any escrow agent, title insurance company or other agent that pays property**
22 **taxes from an escrow account on the person's behalf. The lender shall send the notice to the**
23 **person at the person's last-known address or to the escrow agent, title insurance company**
24 **or other agent at the address the lender has in the lender's records for the escrow agent,**
25 **title insurance company or other agent. The lender shall send the notice at least 60 calendar**
26 **days before property taxes are due for the property that is subject to the reverse mortgage.**

27 **(b) Paragraph (a) of this subsection does not apply to a contract for a reverse mortgage**
28 **that includes a reserve account for taxes.**

29 **(4) Subsections (2) and (3) of this section do not apply to a financial institution, as defined**
30 **in ORS 706.008, or to a licensee, as defined in ORS 725.010.**

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