HB 3190 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Kyle Easton, Economist
Meeting Dates: 3/22

WHAT THE MEASURE DOES:
Allows homestead, with outstanding deferral balance of property taxes deferred through the seniors and individuals with disabilities deferral program, to be pledged as security for a reverse mortgage. Requires tax lien of deferred property taxes to be prior to lien of reverse mortgages. Eliminates statutory language made erroneous. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:
No amendment.

BACKGROUND:
The senior deferral program was enacted in 1963. Homeowners age 62 and older may defer payment of property taxes until the owner dies or sells the property. The State pays the tax and obtains a lien on the property for the tax and accrued interest at the rate of 6% per year. The current household income limit is $43,000 for the 2016-17 tax year.

Enacted in 2011, House Bill 2543 made a series of changes to the deferral program including a prohibition of pledging as security for a reverse mortgage, a homestead on which amounts deferred are outstanding. Enacted in 2012 and 2013, House Bills 4039, 2510 and 2489 made deferral program available to specified previous participants in deferral program that had a reverse mortgage.

Per the Federal Trade Commission:

When you have a regular mortgage, you pay the lender every month to buy your home over time. In a reverse mortgage, you get a loan in which the lender pays you. Reverse mortgages take part of the equity in your home and convert it into payments to you – a kind of advance payment on your home equity. The money you get usually is tax-free. Generally, you don't have to pay back the money for as long as you live in your home. When you die, sell your home, or move out, you, your spouse, or your estate would repay the loan. Sometimes that means selling the home to get money to repay the loan.

There are three kinds of reverse mortgages: single purpose reverse mortgages – offered by some state and local government agencies, as well as non-profits; proprietary reverse mortgages – private loans; and federally-insured reverse mortgages, also known as Home Equity Conversion Mortgages.

If you get a reverse mortgage of any kind, you get a loan in which you borrow against the equity in your home. You keep the title to your home. Instead of paying monthly mortgage payments, though, you get an advance on part of your home equity. The money you get usually is not taxable, and it generally won't affect your Social Security or Medicare benefits. When the last surviving borrower dies, sells the home, or no longer lives in the home as a principal residence, the loan has to be repaid. In certain situations, a non-borrowing spouse may be able to remain in the home.