

HB 2562 STAFF MEASURE SUMMARY

Senate Committee On Business and Transportation

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Meeting Dates: 5/8

WHAT THE MEASURE DOES:

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

FISCAL: No fiscal impact

REVENUE: No revenue impact

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

A reverse mortgage is a contract that allows a borrower to receive loan proceeds from a lender in either a lump sum or in monthly installments. When the borrower sells the property that is used to secure 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 any 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 indicating that the borrower remains responsible for paying property taxes, insurance, maintenance and related taxes on the property. The notice must also be sent to any escrow agent or title company that pays the borrower's property taxes from escrow. The annual notice must be provided at least 60 days prior to the due date for property tax payment. If there is a reserve account for taxes, the lender is exempt from the notice requirement. The 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.

HOUSE VOTE: 59-0