

SB 534 STAFF MEASURE SUMMARY

Senate Committee On Housing and Development

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Meeting Dates: 2/5

WHAT THE MEASURE DOES:

The measure allows a lender that, in a reverse mortgage transaction, provides a lump sum in exchange for a claim upon the equity of a property, to claim as the lender's equity and receive as proceeds in a sale of the property, not more than the percentage of the total equity in the property to which the lump sum is equivalent on the date the lender provided the lump sum. Declares an emergency, effective on passage.

Fiscal impact: May have fiscal impact, but no statement yet issued

Revenue impact: May have revenue impact, but no statement yet issued

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Reverse mortgages are financial agreements allowing homeowners aged 62 or older to borrow against the accrued equity in their homes. Unlike a traditional mortgage, the borrower does not make periodic payments. Rather, the loan is repaid when the borrower dies or no longer lives in their home. Interest and fees are added to the loan balance each month until it is repaid. This type of financial instrument is expected to grow in use in the coming decade, as nearly 80 percent of Americans 65 years and older own their home, according to the 2023 Census, and over [40 percent of households are estimated to have inadequate income and savings to cover retirement](#).

In 2012, Congress directed the Consumer Financial Protection Bureau to conduct a study on reverse mortgages as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The [report](#) stated that, "Government investigations and consumer advocacy groups raised significant consumer protection concerns about the business practices of reverse mortgage lenders and other companies in the reverse mortgage industry." A 2015 report on report on consumer complaints relating to reverse mortgages by the federal Consumer Financial Protection Bureau found that many consumers do not fully understand the terms of these contracts and have had disputes with loan servicers over the application of contract terms relating to refinancing, paying off reverse mortgage debt, and foreclosures due to non-payment of property taxes or homeowner association dues. The Oregon Legislature passed House Bill 2532 (2015) to require certain disclosures be made when advertising or soliciting reverse mortgage arrangements.