



National Reverse Mortgage Lenders Association  
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**Re: Oregon Senate Bill 534 (“SB 534” or the “Bill”)**

Dear Honorable Madams/Sirs:

The National Reverse Mortgage Lenders Association (“NRMLA”) appreciates this opportunity to comment on SB 534. As noted below, NRMLA respectfully recommends that important amendments to its provisions be considered and adopted.

The National Reverse Mortgage Lenders Association (“NRMLA”) is the national voice of the reverse mortgage industry. With over 200 member companies and over 2,000 member delegates, NRMLA serves as an educational resource, policy advocate, and public affairs center for lenders and related professionals. NRMLA was established in 1997 to enhance the professionalism of the reverse mortgage industry. Our mission includes educating industry participants on best practices, regulatory requirements, and market dynamics; providing helpful information to consumers about reverse mortgages; enforcing our Code of Ethics and Professional Responsibility; and offering insight to policymakers working on reverse mortgage matters and related issues. NRMLA members originate over 90% of reverse mortgages today.

SB 534 currently provides, “[a] lender that in a reverse mortgage provides a lump sum in exchange for a claim upon the equity of a property may 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. A provision in a contract for a reverse mortgage that entails or allows for a claim on the equity of the property that is more than the percentage described in this subsection is void and without effect.”

SB 534 is in conflict with the terms of the Federal Housing Administration-insured Home Equity Conversion Mortgage (“HECM”) Program. The HECM statute (section 255 of the National Housing Act, codified at 12 U.S.C. § 1715z-20) authorizes the U.S. Department of Housing and Urban Development (“HUD”) to carry out the HECM program and insure HECM mortgages upon such terms and conditions as HUD may prescribe. HUD has promulgated detailed terms for the HECM program, as authorized by law. HECM regulations provide that the amount secured by the mortgage shall include, “all direct payments by the mortgagee to the borrower, and all other loan advances permitted by the mortgage for any purpose, including loan advances for interest, property charges, mortgage insurance premiums, required repairs, servicing charges, counseling charges, and costs of collection, regardless of when the payments or loan advances were made.”<sup>1</sup> The regulation goes on to state, “[t]he priority provided by this section shall apply notwithstanding any State constitution, law, or regulation.”<sup>2</sup> This federal preemption of any state constitution, law, or regulation makes it clear that the Bill, even if passed in its current form, should not, and would not, preclude the offering of HECMs within the State of Oregon.

By contrast, SB 534, as currently drafted, may preclude the offering of proprietary reverse mortgages now available within the State of Oregon. Proprietary reverse mortgages are reverse mortgages offered by private lenders that are not insured by the Federal Housing Administration under the HECM Program. Importantly, proprietary reverse mortgages typically allow seniors to borrow larger amounts of money than HECMs, may provide lower upfront costs than HECMs, and may offer more flexibility than HECMs in terms of loan options and features. In short, proprietary reverse mortgages have been a welcome development for seniors in the reverse mortgage marketplace, as they offer seniors more choice,<sup>3</sup> while also being subject to similar consumer protections as the HECM Program, as mandated by state law.<sup>4</sup> While the majority of reverse mortgages originated in the United States are HECMs, the outstanding aggregate loan balance of such proprietary reverse mortgage loans nationwide is substantial and growing.

To the extent that the Bill is not amended to clarify the continued lawfulness of traditional proprietary reverse mortgage products in Oregon (as well as HECMs), the consequence of the Bill likely will be that traditional proprietary reverse mortgages will be withdrawn from the marketplace by reverse mortgage lenders, and Oregon seniors will have far fewer reverse mortgage product offerings than other seniors across the country. We humbly suggest that this result does not best serve Oregon’s seniors.

Instead, we suggest that SB 534 be amended to clarify the continued lawfulness of traditional reverse mortgage programs encumbering 100% of the mortgaged property’s value, but

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<sup>1</sup> See 24 C.F.R. 206.8(a).

<sup>2</sup> See 24 C.F.R. 206.8(a).

<sup>3</sup> See <https://www.nrmlaonline.org/publications/reverse-mortgage-magazine/march-april-2024-issue>.

<sup>4</sup> See Or. Rev. Stat. § 86A.196.

nonetheless encourage the development of reverse mortgage product offerings which allow the lender and borrower to elect to preserve an agreed upon percentage of the mortgaged property's value for the benefit of the borrower or the borrower's estate. This type of reverse mortgage product offering is encouraged in Washington, Oregon's neighboring sister state, under the Washington Consumer Loan Act, Washington Administrative Code § 208-620-820(5)(d) and (e) (the "Washington State Reverse Mortgage Home Equity Preservation Option"). Under the Washington State Reverse Mortgage Home Equity Preservation Option, lenders may offer, and borrowers may accept, reverse mortgages which expressly stipulate the mortgaging of less than one hundred percent of the full value of the mortgaged property, without precluding reverse mortgages that mortgage one hundred percent of the full value of the mortgaged property.<sup>5</sup> Similar to Wash. Admin. Code §208-620-820(5)(d) and (e), we propose that SB 534 be amended to state the following:

*(4)(a) A lender and borrower under a reverse mortgage may elect to mortgage one hundred percent of the full value of the property, in which case the amount secured by the mortgage shall include all direct payments by the mortgagee to the borrower, and all other loan advances permitted by the mortgage for any purpose, including loan advances for interest, property charges, mortgage insurance premiums, required repairs, servicing charges, counseling charges, and costs of collection, regardless of when the payments or loan advances were made.*

*(4)(b) A lender and borrower under a reverse mortgage may elect to mortgage less than one hundred percent of the full value of the property, in which case the amount secured by the mortgage shall not be greater than: (A) the outstanding balance of the reverse mortgage as provided under Section (4)(a) above; or (B) the percentage of the property's fair market value as agreed to by the lender and borrower and as provided in the reverse mortgage agreement.*

We believe that amending SB 534 in this manner will preserve a vibrant proprietary reverse mortgage market in Oregon, while also encouraging reverse mortgage product offerings which provide flexibility and the option for Oregon's seniors to preserve a percentage of their home's equity for their own benefit, or for the benefit of their heirs and devisees.

### **Conclusion**

NRMLA appreciates both the opportunity to comment on these matters as well as the work each of the Sponsors of SB 534 have invested in these matters. We pledge our support to work with you to find appropriate solutions that enhance reverse mortgage product offerings that truly benefit Oregon's seniors.

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<sup>5</sup> See Wash. Admin. Code §208-620-820(d) and (e).

Very truly yours,

A handwritten signature in blue ink, appearing to be 'S Irwin', with a long horizontal flourish extending to the right.

Steve Irwin, President  
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