

Enrolled
House Bill 2562

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

CHAPTER

AN ACT

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

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

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

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

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

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

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

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

(D) The person retains title to the property that is the subject of the reverse mortgage until the person sells or transfers the property and is therefore responsible for paying property taxes, insurance, maintenance and related taxes. Failing to pay these amounts may cause the reverse mortgage loan to become due immediately **and may subject the property to a tax lien or other encumbrance or to possible foreclosure.**

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

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

(A) "Clear and conspicuous" means:

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

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

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

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

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

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

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

Passed by House April 20, 2017

.....
Timothy G. Sekerak, Chief Clerk of House

.....
Tina Kotek, Speaker of House

Passed by Senate May 16, 2017

.....
Peter Courtney, President of Senate

Received by Governor:

.....M.,....., 2017

Approved:

.....M.,....., 2017

.....
Kate Brown, Governor

Filed in Office of Secretary of State:

.....M.,....., 2017

.....
Dennis Richardson, Secretary of State