



OLR RESEARCH REPORT

February 1, 2013

2013-R-0076

CONSUMER PROTECTION ISSUES UNDER REVERSE ANNUITY MORTGAGE LOANS

By: Michelle Kirby, Associate Analyst

You asked whether Connecticut law prohibits banks from requiring the older spouse to be the sole borrower on a Reverse Annuity Mortgage loan.

REVERSE ANNUITY MORTGAGE LOAN TERMS

Connecticut law does not explicitly prohibit banks from requiring the older spouse to be the sole borrower on a Reverse Annuity Mortgage Loan. While the death of the last surviving borrower is an event that could trigger termination of a reverse annuity mortgage loan, this is a provision that must be agreed to by the borrower and the bank, at the option of the bank.

The law states that, at the bank's option, if the bank and the homeowner agree that advances under a reverse annuity mortgage loan may terminate and the entire unpaid balance of the loan plus accrued interest may become due and payable when one of the following occurs:

1. The death of the last surviving borrower;
2. The sale or other transfer of the real estate securing the loan to a person other than any of the original borrowers; or

3. Any other occurrence which materially decreases the value of the property securing the loan or which will have the likely effect of causing the loan not to be repaid. Any such additional occurrence must be clearly recited in the mortgage deed.

See CGS § [36a-265\(e\) \(2\)](#).

CONSUMER PROTECTION ISSUES – RISK TO NON-BORROWERS

When both spouses or partners are included as borrowers on a reverse mortgage loan the one spouse can continue to live in the home if the other spouse dies as long as no other circumstances prompt repayment. Sometimes, however, the reverse mortgage is taken out in the name of only one spouse. This may happen because (1) the other spouse was younger than the required minimum age when the reverse mortgage was originated and therefore could not qualify as a borrower; (2) the couple married after the reverse mortgage was originated; or (3) the younger spouse is left off the reverse mortgage contract by agreement or by choice. In these cases the non-borrower spouse or partner is at risk of needing to sell the home to pay off the reverse mortgage when the borrowing spouse dies or needs to move.

BACKGROUND INFORMATION

Attached for your information is [OLR Report 2012-R-0277](#) which provides general information on reverse annuity mortgages.

MK:ro