



Connecticut Fair Housing Center

TESTIMONY OF ATTY. PAMELA HELLER IN SUPPORT OF SENATE BILL 226: AN ACT CONCERNING INFORMED CONSENT FOR REVERSE MORTGAGE TRANSACTIONS

Thank you for the opportunity to address the committee. My name is Pamela Heller, and I'm a foreclosure prevention attorney with the Connecticut Fair Housing Center. I am writing today in support of Senate Bill No. 226: AN ACT CONCERNING INFORMED CONSENT FOR REVERSE MORTGAGE TRANSACTIONS. As attorneys who represent and speak every year to hundreds of homeowners facing foreclosure, we at the Center are convinced of the need to protect seniors from the potential risks of a reverse mortgage where only one spouse is the obligated borrower. We believe, however, that the raised bill would be more effective at achieving that goal with specific changes outlined below.

The Connecticut Fair Housing Center is the only nonprofit in Connecticut providing representation and advocacy for homeowners facing foreclosure. Through intakes and clinics, we have reached homeowners in 164 towns since 2010. In 2013, we reached 2000 homeowners through individualized advice teaching them how to represent themselves through our clinics in Hartford and Fairfield County and at housing counselor orientations across the state.

For many seniors, a reverse mortgage affords them the opportunity to stay in their home. But it comes with risks. We and our partners have assisted increasing numbers of seniors facing foreclosure on a reverse mortgage, including non-borrower spouses who lost the borrower spouse to a nursing home or death. The non-borrower spouse then faces foreclosure, without any of the protections that sometimes apply to traditional mortgages.

Senate Bill 226 intends to protect non-borrowers by requiring that creditors entering into reverse mortgage transactions advise non-borrowers living in a home subject to a reverse mortgage of the implications of the reverse mortgage. Additionally, it requires that the creditor receive the “informed consent” of each such individual. Requiring informed consent of all non-borrowers living in the home prior to allowing a senior to receive a reverse mortgage grants far too much power to those individuals. For example, if an adult child is living in the home, they could potentially withhold their consent and prevent their parents from obtaining a reverse mortgage, perhaps to try and retain equity that they hope to inherit. We recommend that the informed consent requirement be dropped. Further, we recommend that the notice provisions be limited to a non-borrowing spouse for privacy concerns. The current language would require notice even to a live-in health aid or a tenant because it applies to any resident of the home.

The following language should be substituted:

Section 1. (NEW) (*Effective October 1, 2014*) A creditor who enters into a reverse mortgage transaction, as defined in 12 CFR 226.33, with a borrower whose spouse who is not a party to such transaction and resides in a dwelling that, by virtue of such transaction, is secured by a mortgage, deed of trust, or equivalent consensual security interest, shall advise such non-borrowing spouse in plain language of the consequences with regard to such dwelling when any principal, interest, or shared appreciation or equity becomes due and payable to the creditor upon the death of the borrower, the transfer of such dwelling by the borrower, or when such borrower ceases to occupy such dwelling as a principal residence.

Thank you for your time. Please do not hesitate to contact me at (860) 560-8197 with any questions you may have.