



Senate

General Assembly

File No. 205

February Session, 2016

Substitute Senate Bill No. 163

Senate, March 24, 2016

The Committee on Aging reported through SEN. FLEXER of the 29th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT PROVIDING PROTECTIONS FOR CONSUMERS APPLYING FOR REVERSE MORTGAGES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2016*) (a) No entity, including,
2 but not limited to, any Connecticut bank or Connecticut credit union,
3 shall accept a final and complete application for a reverse annuity
4 mortgage loan, as defined in section 36a-265 of the general statutes, or
5 assess any fees for such mortgage, unless such entity has:

6 (1) (A) Informed the prospective applicant of the counseling
7 requirement in subdivision (2) of this subsection, and (B) provided the
8 prospective applicant with a list of at least five independent housing
9 counseling agencies approved by the United States Department of
10 Housing and Urban Development to engage in reverse annuity
11 mortgage loan counseling, as provided in 24 CFR 206.300 et seq., as
12 amended from time to time. No such counseling agency shall receive
13 any compensation, either directly or indirectly, from the lender or from
14 any other person or entity involved in originating or servicing the loan;

15 (2) Received a signed certification from the prospective applicant or
 16 the prospective applicant's authorized representative that the applicant
 17 has received counseling from an independent housing counseling
 18 agency, as described in subdivision (1) of this subsection; and

19 (3) Received a signed certification from the prospective applicant or the
 20 prospective applicant's authorized representative that either: (A) The
 21 reverse annuity mortgage loan origination, or (B) the counseling session
 22 required by subdivision (2) of this section was conducted in person. Any
 23 counseling not conducted in person shall be conducted by telephone. The
 24 certification of the counseling session shall be signed by the prospective
 25 applicant or the prospective applicant's authorized representative and the
 26 independent housing counseling agency's counselor. The certification of
 27 the reverse annuity mortgage loan origination shall be signed by the
 28 prospective applicant or the prospective applicant's authorized
 29 representative and the reverse annuity mortgage loan originator. The
 30 certifications shall include the date of the meeting or counseling session,
 31 and the name, address and telephone number of both the prospective
 32 applicant and either the counselor or, if applicable, the loan originator.
 33 The lender shall maintain the certification in an accurate, reproducible
 34 and accessible format for the term of the reverse annuity mortgage loan.

35 (b) A violation of the provisions of this section shall be deemed an
 36 unfair or deceptive act or practice in the conduct of trade or commerce
 37 pursuant to subsection (a) of section 42-110b of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2016	New section

AGE Joint Favorable Subst.

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill adds protections to consumers applying for reverse mortgages. The bill results in no fiscal impact to the Department of Banking as it concerns the interactions between private entities and individuals. It is anticipated that few complaints will be acted upon by the Department of Consumer Protection (DCP) and therefore the bill results in no fiscal impact to the DCP.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**sSB 163*****AN ACT PROVIDING PROTECTIONS FOR CONSUMERS APPLYING FOR REVERSE MORTGAGES.*****SUMMARY:**

This bill expands the requirements for reverse annuity mortgages. A reverse annuity mortgage allows elderly homeowners to convert accumulated home equity into liquid assets.

The bill establishes counseling requirements that must be met before any entity, including Connecticut banks and credit unions, may (1) accept a final and complete reverse annuity mortgage loan application or (2) assess any fees for such a mortgage.

It also requires reverse mortgage lenders to receive and store a signed certification from the borrower or his or her authorized representative that the counseling requirements were met.

The bill (1) prohibits a reverse mortgage lender, originator, or loan servicer from compensating counseling agencies and (2) specifies that any violation of the counseling and certification provisions is a violation of the unfair trade practices law.

EFFECTIVE DATE: October 1, 2016

COUNSELING AND CERTIFICATION REQUIREMENTS

The bill requires reverse mortgage lenders to:

1. inform prospective applicants of the counseling requirement and provide them with a list of five independent housing counseling agencies approved by the U.S. Department of Housing and Urban Development (HUD) (See related federal laws in BACKGROUND);

2. receive a signed certification from the prospective applicant or his or her authorized representative that (a) he or she received counseling from a HUD-approved agency and (b) either the loan origination or the counseling was done in person; and
3. keep the certification in an accurate, reproducible, and accessible format for the term of the loan.

The bill specifies that if the counseling session is not held in person, it must be conducted by telephone.

Under the bill, the counseling certification must include the meeting or counseling date and the name, address, telephone number, and signature of the (1) prospective applicant and (2) the counselor or loan originator, accordingly. (The bill does not prescribe a uniform certification form.)

BACKGROUND

Related Federal Laws

Federal regulation requires HUD to establish and maintain a list of reverse mortgage counselors. The counselors must meet specified qualification standards and follow uniform counseling protocol (24 CFR § 206.300, et seq.). Under federal law, qualified reverse mortgage counselors must discuss certain information with prospective mortgagors, including:

1. other options available to the homeowner;
2. the financial implications of entering into a reverse mortgage;
3. disclosure that a reverse mortgage may have tax consequences, affect eligibility for assistance under federal and state programs, and have an impact on the estate and heirs of the homeowner (12 USC § 1715z-20(f)); and
4. the requirement that a non-borrowing spouse obtain ownership of the property or other legal right to remain in the house after the death of the last surviving mortgagor (HUD Mortgagee

Letter 2014-07).

COMMITTEE ACTION

Aging Committee

Joint Favorable Substitute

Yea 13 Nay 0 (03/08/2016)