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Testimony of Reps. Mary Mushinsky (85th) in Support of SB 150 (Raised) An Act Providing
Protections for Consumers Applying for Reverse Mortgages

Before the Aging Committee (AGE)

March 1, 2018 10:00 a.m.

This bill seeks to prevent elder abuse in Connecticut in the reverse mortgage market. While reverse mortgages can be a useful tool for seniors to pay for necessary home repairs, medical bills or other unexpected crisis, there have been abuses recorded in other states. Seniors are subject to aggressive television marketing by familiar and beloved t.v. stars and can make an unwise decision on these instruments, which are, in reality, loans.

I served on the Reverse Mortgage Task Force with Sen. Art Linares, state agencies and other stakeholders in 2014 and we recommended legislation that never passed (the bill usually dies in the Senate). Some of the most egregious abuses were fixed by new federal Housing and Urban Development (HUD) regulations, but CT is one of only 11 states without any state law concerning reverse mortgages (please see OLR's 2018 report, attached). At minimum, SB 150 should incorporate federal HUD reverse mortgage rules into state law and authorize the CT Department of Banking and the Department of Consumer Protection, or at least one of these agencies, to enforce these rules using unfair or deceptive trade practices laws.

The most important requirement to protect senior homeowners must be counseling from independent housing counseling agencies approved by HUD. Counseling should ideally be done in person. Reverse mortgages are complex financial loans not readily understood by borrowers. They are not suitable for all seniors age 62 or over. Seniors may not grasp that they may lose their house if there is a late property tax payment. At minimum, the bill should have two ingredients: a first section referencing the HUD rules in CT law, and language authorizing state agencies (Banks and Consumer Protection) to enforce these rules.

If the Aging Committee wishes to go boldly, you could also add Massachusetts' language that makes reverse mortgages unenforceable if the lender did not follow counseling requirements.