



# Senate

General Assembly

**File No. 153**

February Session, 2018

Substitute Senate Bill No. 150

*Senate, April 3, 2018*

The Committee on Aging reported through SEN. MCCRORY of the 2nd Dist. and SEN. KELLY of the 21st Dist., Chairpersons 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, 2018*) (a) No entity, including,  
2 but not limited to, any state or federally chartered bank or state or  
3 federally chartered credit union, shall accept a final and complete  
4 application for a reverse annuity mortgage loan, as defined in section  
5 36a-265 of the general statutes, or assess any fees for such mortgage,  
6 unless such entity has:

7 (1) (A) Informed the prospective applicant of the counseling  
8 requirement as described in subdivision (2) of this subsection, and (B)  
9 provided the prospective applicant with a list of independent housing  
10 counseling agencies and intermediaries approved by the United States  
11 Department of Housing and Urban Development to engage in reverse  
12 annuity mortgage loan counseling, in accordance with 24 CFR 206.300  
13 et seq., as amended from time to time; and

14 (2) Received a signed certification from the prospective applicant or  
 15 the prospective applicant's authorized representative that the applicant  
 16 or the applicant's authorized representative has received counseling in  
 17 person or by telephone from an independent housing counseling  
 18 agency. No such counseling agency shall receive any compensation,  
 19 either directly or indirectly, from the lender or from any other person  
 20 or entity involved in originating or servicing the loan.

21 (b) Certification of the counseling session shall be signed by (1) the  
 22 prospective applicant or the prospective applicant's authorized  
 23 representative, and (2) the independent housing counseling agency's  
 24 counselor. Such signed certification shall include the date of the  
 25 counseling session and the name, address and telephone number of  
 26 both the prospective applicant and the counselor. The lender shall  
 27 maintain such signed certification in an accurate, reproducible and  
 28 accessible format for the term of the reverse annuity mortgage loan.

29 (c) A violation of the provisions of this section shall be deemed an  
 30 unfair or deceptive trade practice under subsection (a) of section 42-  
 31 110b of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2018	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.

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

The bill expands requirements for reverse annuity mortgages by adding protections for consumers. It is anticipated that there will be few complaints regarding reverse annuity mortgages to be acted upon by the Department of Banking and, therefore, the bill is not anticipated to result in a fiscal impact to the state.

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

**OLR Bill Analysis****sSB 150*****AN ACT PROVIDING PROTECTIONS FOR CONSUMERS APPLYING FOR REVERSE MORTGAGES.*****SUMMARY**

This bill expands the counseling and certification requirements for reverse annuity mortgages, a type of mortgage that allows homeowners to convert accumulated home equity into liquid assets.

The bill establishes counseling requirements that must be met before any entity, including a state or federally chartered bank or credit union, 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 stating 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 state's unfair trade practices law (see BACKGROUND).

EFFECTIVE DATE: October 1, 2018

**COUNSELING AND CERTIFICATION REQUIREMENTS**

The bill requires reverse mortgage lenders to:

1. inform prospective applicants of the counseling requirements and provide them with a list of independent housing counseling agencies and intermediaries approved by the U.S. Department of Housing and Urban Development (HUD) to provide counseling in accordance with federal law (see BACKGROUND);

2. receive a signed certification from the prospective applicant or his or her authorized representative that the applicant or representative received counseling in-person or by telephone from a HUD-approved agency; and
3. keep the signed certification in an accurate, reproducible, and accessible format for the term of the loan.

Under the bill, the counseling certification must include the counseling date and the name, address, telephone number, and signature of both the prospective applicant or representative and counselor.

## **BACKGROUND**

### ***Connecticut Unfair Trade Practices Act (CUTPA)***

CUTPA prohibits businesses from engaging in unfair and deceptive acts or practices. It allows the consumer protection commissioner to issue regulations defining what constitutes an unfair trade practice; investigate complaints; issue cease and desist orders; order restitution in cases involving less than \$10,000; enter into consent agreements, ask the attorney general to seek injunctive relief; and accept voluntary statements of compliance. It also allows individuals to sue. Courts may issue restraining orders; award actual and punitive damages, costs, and reasonable attorney's fees; and impose civil penalties of up to \$5,000 for willful violations and \$25,000 for violation of a restraining order (CGS §§ 42-110a et seq.).

### ***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 protocols (24 C.F.R. § 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 homeowner's estate and heirs; 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 (12 U.S.C. § 1715z-20(f) and HUD Mortgagee Letter 2014-07).

Related Bill

SB 395, favorably reported by the Banking Committee, requires similar counseling and certification requirements.

**COMMITTEE ACTION**

Aging Committee

Joint Favorable Substitute

Yea 12 Nay 0 (03/15/2018)