

Reverse Mortgage Task Force

MEETING MINUTES

Tuesday, December 23, 2014

10:30 AM in Room 2A of the LOB

The meeting was called to order at 10:40 by Chairman Kevin Lynch,

The following committee members were present:

Kevin Lynch, John Luddy, Nicole Ayala

Absent were: Rep. Mary Mushinsky, Sen. Art Linares

Mr. Lynch moved to Task Force Recommendations item number three, to change statutory references to Reverse Annuity Mortgages to Reverse Annuity Loans. The motion passed on a voice vote.

The task force moved to item number five, the cooling off period and meaningful disclosure. Mr. Lynch then discussed his experience requesting information about Reverse Annuity Mortgages, after which he received three out-of-state solicitations. He noted that seniors trying to navigate different mortgage options were at risk for being taken advantage of by companies who sold Reverse Annuity Mortgages.

John Luddy distinguished Mr. Lynch's timeshare analogy from Reverse Annuity Mortgages by emphasizing that the application process is 6-8 weeks long, with a 3 business day rescission period after the application process during which the borrower can decline to continue with the loan.

He also expressed concern that a cool down period between counseling and application would result in seniors forgetting many concerns that are raised during counseling.

Nicole Ayala spoke in favor of the 7 day waiting period saying that it was a good disruptor for fraudulent lenders

Mr. Luddy again voiced his concern that the waiting period would lessen the impact of the counseling.

Mr. Lynch asked Mr. Luddy about the certificate received at the end of counseling and about California Assembly Bill 1700's change of checklists to work sheets.

Ms. Ayala volunteered to answer and explained that the worksheets increase the level of interactivity and information retention.

Mr. Luddy explained that Mr. Lynch's online request for information likely did not go directly to a lender but instead to a lead broker who then sold his information to the three out-of-state lenders who contacted him.

Mr. Lynch asked whether or not the task force would like to recommend the institution of a 7 day waiting period and worksheet similar to California Assembly Bill 1700.

He reiterated Mr. Luddy's arguments against including the 7-day waiting period and Ms. Ayala's arguments for the 7-day waiting period.

Mr. Lynch called for a vote. Ms. Ayala voted Yea. Mr. Luddy voted Nay. Mr. Lynch broke the tie voting Yea and the recommendation passed.

Mr. Luddy inquired as to whether the committee should involve its two absent members on contentious issues as was discussed prior to the meeting.

Mr. Lynch expressed his frustration at members missing the meetings despite prior notification

The clerk pointed out that the task force could hold the vote open and Mr. Lynch expressed that he was opposed to doing so.

Mr. Lynch moved to the first proposal that all counseling should be done in person. He asked the legal counsel whether the General Assembly would be able to require this.

The legal counsel stated that the General Assembly could make this requirement and that other states do require this.

Mr. Lynch stated the benefit of the regulation would be the person-to-person interaction and that the drawback would be the level of difficulty that many seniors may have travelling to appointments.

Mr. Luddy announced that he was uncomfortable advocating for the proposal because he always meets with customers face-to-face and the regulation would affect his direct competition.

He then said that he felt that in-person counseling would help increase the understanding of seniors. He also felt that there was the possibility the proposal would keep the telemarketing out-of-state lenders from operating in Connecticut and that a decrease in available lenders could do a disservice to the consumer.

Mr. Luddy also drew the attention of the task force to the fact that the Federal Government used to require all counseling be done in person.

Ms. Ayala spoke in support of requiring in person counseling. She felt that products being sold to seniors require especially thoughtful protection.

Mr. Lynch moved to vote on the proposal and restated the arguments for and against the proposal.

Mr. Luddy inquired with the legal counsel before the vote about a potential conflict of interest.

The legal counsel advised Mr. Luddy that he could vote.

Mr. Lynch called for the vote and the proposal passed on a voice vote.

Mr. Lynch moved to the second proposal which was to require counseling before a Reverse Annuity Mortgage is issued.

Mr. Lynch pointed out that the CHFA does not require counseling before a Reverse Annuity Mortgage

Mr. Luddy stated that anyone in the Federal Programs absolutely must undergo counseling. He said he was reluctant to venture into the CHFA field because they only have a handful of Reverse Mortgage Annuities in a given year

Mr. Lynch stated that CHFA is the only non-Federal lender and has a total of 9 Reverse Annuity Mortgages loaned out. He suggested that because of this the proposal would have a minimum effect.

Mr. Lynch called for a vote on whether or not to recommend to the General Assembly that counseling be mandatory for all Reverse Annuity Mortgages.

Mr. Luddy sought clarification on whether the proposal only requires CHFA to have its borrowers undergo counseling.

Mr. Lynch answered saying the proposal required all lenders' borrowers to undergo counseling.

Mr. Luddy says that the task force needs to be careful of unforeseen consequences. He suggested that counselors trained for the federal program would be unfamiliar with state programs.

He also expressed concern that a new mechanism to train CHFA staff would have to be put in place and that this would be a funding issue.

Mr. Lynch called again for a vote on whether or not to recommend to the General Assembly that counseling be mandatory for all Reverse Annuity Mortgages.

The proposal was defeated on a voice vote.

Mr. Lynch acknowledged that Proposal 3 had already been discussed and voted on and moved on to Proposal 4.

He asked Ms. Ayala to explain the 4th Proposal.

Ms. Ayala explained that Connecticut has the Connecticut Unfair Trade Practices Act.

She explained that her proposal recommends the creation of per se violation of CUTPA that would create an enforcement tool for the Banking Department and the Department of Consumer Protection.

She further suggested that the per se violation could be something very narrowly tailored towards deceptive advertising or unreasonable fees.

Mr. Lynch thanked Ms. Ayala for her explanation.

Mr. Luddy stated that he was unsure of the unforeseen or unintended consequences of this proposal but if this makes it easier to prosecute deceptive practices he would support it.

Mr. Lynch called for a vote on Recommendation 4.

The recommendation passed on voice vote.

He called for any further suggestions and seeing none thanked Mr. Luddy and Ms. Ayala for their services, input, and knowledge.

Mr. Lynch asked for questions and comments from the people sitting in the committee room. Seeing none he asked for a motion to adjourn.

Mr. Luddy made a motion to adjourn the meeting.

Ms. Ayala seconded the motion.
The meeting was adjourned at 11:28 AM.