

By Mr. Costello, a petition (accompanied by bill, Senate, No. 13) of Nicholas J. Costello, Larry F. Giordano and Barbara Hildt for legislation to authorize banks to make reverse mortgage loans to homeowners over sixty-five years of age. Banks and Banking.

## The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Seven.

AN ACT AUTHORIZING BANKS TO MAKE REVERSE MORTGAGE LOANS TO HOMEOWNERS OVER AGE SIXTY-FIVE.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Subsection B of section 2 of chapter 167E of the  
2 General Laws, inserted by section 9 of chapter 155 of the acts of  
3 1982, is hereby amended by inserting after paragraph 9 the follow-  
4 ing paragraph: —

5 9A. Reverse Mortgage Loans. A reverse mortgage loan not  
6 exceeding eighty percent of the value of the real estate to the owner  
7 or owners of such real estate improved with a dwelling designed to  
8 be occupied by not more than four families; provided, however,  
9 that each such owner shall be at least sixty-five years of age, shall  
10 own the property and shall occupy the mortgaged real estate in  
11 whole or in part. The maximum sum for a loan of this class shall be  
12 determined by regulation of the commissioner. The proceeds from  
13 such a loan shall be advanced to the mortgagors either directly or  
14 indirectly, in installments at intervals not exceeding three months.  
15 Such proceeds together with unpaid interest, if any, shall be repaid  
16 upon the sale of the property securing such loan or the death of the  
17 mortgagors, whichever occurs first. The aggregate balance of such  
18 loans made or acquired by any corporation, at any time outstand-  
19 ing shall not exceed ten percent of its deposits.

20 Before a bank makes a reverse mortgage loan, it shall submit to  
21 the commissioner for his approval the plan and any subsequent  
22 amendments under which such loan is to be made.

23 Each plan shall provide that

24 (1) a loan applicant shall not be bound for seven days after the  
25 loan commitment is made;

26 (2) the bank shall obtain a statement signed by the borrower  
27 acknowledging disclosure of all contractual contingencies which  
28 could force a sale of the real estate;

29 (3) if the mortgage has a fixed term, refinancing shall be made  
30 available at market rates current at the time payment is due;

31 (4) the instrument shall provide for prepayment without penal-  
32 ty at any time during the loan term;

33 (5) interest rates shall be fixed at loan origination;

34 (6) if payments are to be made to the borrower through pur-  
35 chase of an annuity, the bank shall use an insurance company  
36 authorized to engage in such business, and supervised by the  
37 Commonwealth;

38 (7) at the end of ten years a deferred annuity shall be purchased  
39 to cover the borrower.

40 Each such plan submitted shall include a copy of the form of the  
41 note and mortgage deed that will be used for aid loans, a detailed  
42 description of how the plan will function and such other informa-  
43 tion as the commissioner may require.

44 Prior to the making of any such loan, a prospective borrower  
45 shall receive written materials explaining in reasonably simple  
46 terms the type of mortgage being offered and its specific terms  
47 including:

48 (1) schedule and explanation of payments to the borrower and  
49 whether property taxes and insurance are to be deducted;

50 (2) schedule of outstanding debt over time;

51 (3) repayment date if a fixed-term loan, or event (such as sale of  
52 home or death of one or more mortgagors) which causes loan to  
53 become due;

54 (4) method of repayment, and schedule if any;

55 (5) all contractual contingencies, including lack of home mainte-  
56 nance and other default provisions, which may result in forced sale  
57 of the home;

58 (6) interest rate, annual percentage rates, and total interest  
59 payable on the loan;

60 (7) effective interest rate and interest earned or expected to be  
61 earned on purchased annuities, based on standard mortality  
62 tables;

63 (8) name and address of insurance company issuing a pur-  
64 chased annuity;

65 (9) initial loan fees and charges;

66 (10) description of prepayment and refinancing features; and

67 (11) inclusion of a statement that such mortgages have tax and  
68 estate-planning consequences and may affect levels of, or eligibil-  
69 ity for, certain government benefits, grants, or pensions, and that  
70 applicants are advised to explore these matters with appropriate  
71 authorities.

1 SECTION 2. Section 37 of chapter 171 of the General Laws,  
2 added by section 48 of chapter 155 of the acts of 1982, is hereby  
3 amended by striking out in line 5 the words “paragraph 10” and  
4 inserting in place thereof the following words: — paragraphs 9A  
5 and 10.

