

By Ms. Gibson of Belmont, petition of Mary Jane Gibson, Michael J. Barrett and Kevin G. Honan for legislation to ensure that elderly persons contemplating home equity conversion and who meet certain economic guidelines receive third party counseling prior to such a transaction. Human Services and Elderly Affairs.

**The Commonwealth of Massachusetts**

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

AN ACT TO ENSURE THAT ELDERS CONTEMPLATING HOME EQUITY CONVERSION AND WHO MEET CERTAIN ECONOMIC GUIDELINES RECEIVE THIRD PARTY COUNSELING PRIOR TO SUCH A TRANSACTION.

*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. Equity Conversion Definitions.

2 The following words as used in this chapter unless the context  
3 otherwise requires, shall have the following meanings: "Reverse  
4 mortgage loan", a loan (a.) made to a borrower in which the  
5 principal amount is paid to the borrower in equal or unequal  
6 installments over a period of months or years, and interest is  
7 assessed and authorized closing costs incurred as specified in the  
8 loan agreement; and (b.) which is secured by a mortgage on  
9 residential property owned and occupied by the borrower; and  
10 (c.) Which is due when the principal has been fully paid to the  
11 borrower, or upon sale of the property, or upon the death of the  
12 last surviving borrower, or upon the termination of the use of the  
13 property by the borrower as the borrower's principal residence.

14 "Borrower", any natural person, 60 years of age or older who  
15 owns or holds an interest as joint tenant-in-common in the  
16 property, securing a reverse mortgage loan.

17 "Lender", any bank, mortgage company, credit union,  
18 insurance company, financial institution, financial holding  
19 company, or their subsidiaries doing business in the Common-  
20 wealth of Massachusetts.

21 “Sale and leaseback transaction,” a transaction in which a seller  
22 sells or offers to sell residential real property and in which the  
23 buyer agrees to grant the seller a remainder of interest in the  
24 property for the seller’s lifetime or for a term, including a renewal  
25 option, which is not expected to end prior to the seller’s death.  
26 A sale-leaseback transaction shall refer to one transaction which  
27 may be composed of one or more documents, including but not  
28 limited to, a sale-leaseback agreement, note or other evidence of  
29 promise to pay the purchase price, mortgage, land installment  
30 contract, and lease.

31 “Commitment”, that time at which the buyer and seller are  
32 legally bound to enter into a sale and leaseback transaction.

33 “Buyer, a person, corporation, partnership or other legal entity  
34 and, depending on the context, refers to the mortgage, purchaser,  
35 and lessor.

36 “Seller”, an individual, and if a joint tenant or tenant in  
37 common, at least one of whom is 60 years of age or older, and  
38 depending on the context, refers to the mortgagor, vendor or  
39 lessee.

40 “Residential real property”, improved real property located in  
41 Massachusetts and occupied as the principal residence by the seller  
42 at the time of the sale-leaseback transaction.

43 “Low income elder”, any individual 60 years of age or older  
44 who is or may in the future become eligible for any income  
45 maintenance or benefits programs administered by the State of  
46 Massachusetts.

47 “Third party counseling agency”, any nonprofit agency which  
48 meets the approved standards for elder equity conversion  
49 counseling as set by the Massachusetts Executive Office of Elder  
50 Affairs.

## 1 SECTION 2. Counseling

2 A lender may not make a reverse mortgage loan subject to this  
3 Act unless the borrower has completed a home equity conversion  
4 counseling program approved by the Executive Office of Elder  
5 Affairs, or has declined in writing, in a form specified by the  
6 Executive Office of Consumer Affairs, the opportunity to  
7 participate in a counseling program.

8 A sale-leaseback transaction may not be brought to  
9 commitment prior to receipt, by the buyer, of written evidence  
10 in the form specified by the Executive Office of Consumer Affairs,  
11 that the seller has been offered and declined the opportunity to  
12 complete a home equity conversion counseling program approved  
13 by the Executive Office of Elder Affairs.

14 An "approved home equity conversion counseling program"  
15 shall mean a counseling program conducted or supervised by a  
16 nonprofit organization with the necessary experience and  
17 resources to advise the elderly in the estate, tax, and financial  
18 implications of various home equity conversion options. Nothing  
19 in this act shall be interpreted to regulate or substitute for legal  
20 tax or financial counseling provided to the seller in sale-leaseback  
21 transactions, and the borrower in reverse mortgage loans, by  
22 professionals licensed or registered to do business in Massachu-  
23 setts, including but not limited to attorneys, accountants and deals  
24 in securities or their agents.

1 SECTION 3. For the purposes of providing counseling  
2 pursuant to this Act, the Executive Office of Elder Affairs shall  
3 create and maintain a listing of all approved counseling  
4 organizations and shall make this list available to the public,  
5 financial institutions and government agencies.

1 SECTION 4. This Act shall not be applicable until the effective  
2 date of a process to approve home equity conversion programs  
3 by the Executive Office of Elder Affairs is established.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It is essential to ensure that every entry is properly documented and verified. This process helps in identifying any discrepancies or errors early on, preventing them from escalating into larger issues. Regular audits and reconciliations are key to maintaining the integrity of the financial data.

Furthermore, it is crucial to establish a clear system of internal controls. This involves defining roles and responsibilities, implementing segregation of duties, and ensuring that all personnel are adequately trained. A robust internal control system not only reduces the risk of fraud but also enhances the overall efficiency and reliability of the organization's operations.

In addition, transparency and communication are vital for success. Stakeholders should be kept informed about the company's financial performance and any significant developments. Regular reporting and open dialogue foster trust and enable better decision-making. It is also important to seek professional advice when needed, as experts can provide valuable insights and guidance on complex financial matters.

Finally, staying up-to-date with the latest regulations and industry trends is essential. The financial landscape is constantly evolving, and organizations must adapt accordingly. Continuous learning and improvement are necessary to remain competitive and compliant in a dynamic market environment.