

HOUSE No. 5561

The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVE, May 3, 1988.

The committee on Banks and Banking, to whom were referred so much of the recommendations of the Executive Office of Elder Affairs (House, No. 98) as relates to authorizing state chartered banks and financial institutions to make reverse mortgage loans to homeowners over sixty years of age (accompanied by bill, House, No. 108), the petition (accompanied by bill, Senate, No. 13) of Nicholas J. Costello and Thomas G. Palumbo for legislation to authorize banks to make reverse mortgage loans to homeowners over sixty-five years of age, the petition (accompanied by bill, Senate, No. 19) of Arthur Joseph Lewis, Jr., for legislation to authorize banks to make reverse mortgage loans to certain mortgagors, the petition (accompanied by bill, House, No. 691) of Angelo M. Scaccia relative to the granting of loans by banking institutions to certain elderly persons, the petition (accompanied by bill, House, No. 1069) of Barbara E. Gray relative to the granting of loans by banking institutions to certain elderly persons, the petition (accompanied by bill, House, No. 3378) of Mary Jane Gibson and Kevin G. Honan for legislation to authorize state chartered banks and financial institutions to make reverse mortgage loans to certain mortgagors, and the petition (accompanied by bill, House, No. 3726) of Emanuel G. Serra for legislation to create the home equity conversion commission to evaluate concepts which enable elderly citizens to convert home equity into income, reports recommending that the accompanying bill (House, No. 5561) ought to pass.

For the committee,

THOMAS G. PALUMBO.

The Commonwealth of Massachusetts

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

AN ACT RELATIVE TO REVERSE MORTGAGE LOANS.

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, as
2 appearing in the 1986 Official Edition, is hereby amended by
3 inserting after paragraph 9 the following paragraph: —

4 9A. Reverse Mortgage Loans. A reverse mortgage loan not
5 exceeding eighty percent of the real estate to the owner or owners
6 of such real estate improved with a dwelling designed to be
7 occupied by not more than four families; provided, however, that
8 each such owner shall be at least sixty-five years of age, shall own
9 the property and shall occupy the mortgaged real estate in whole
10 or in part. The maximum sum for a loan of this class shall be
11 determined by the commissioner by regulation. The proceeds from
12 such a loan shall be advanced to the mortgagors, either directly
13 or indirectly, in installments at agreed upon times between the
14 lender and the mortgagors. Such proceeds together with unpaid
15 interest, if any, shall be repaid at the end of a term not to exceed
16 ten years. The aggregate balance of such loans made or acquired
17 by any corporation shall not exceed ten percent of its deposits.

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

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

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

27 (3) the instrument shall provide for prepayment without penalty
28 at any time during the term of the loan; and

29 (4) interest rates shall be fixed at loan origination.

30 Each such plan submitted shall include a copy of the form of
31 the note and mortgage deed that will be utilized for such loans,
32 a detailed description of how the plan will function, and such other
33 information as the commissioner may require.

34 Prior to making any such loan, a bank shall provide a
35 prospective borrower with written materials explaining in
36 reasonably simple terms the type of mortgage being offered and
37 its specific terms including:

38 (a) a schedule and explanation of payments to the borrower and
39 whether property taxes and insurance premiums are to be
40 deducted;

41 (b) a schedule of outstanding debt over time;

42 (c) repayment date, if a fixed term loan;

43 (d) method of repayment and schedule, if any;

44 (e) all contractual contingencies, including lack of home
45 maintenance and other default provisions, which may result in a
46 forced sale of the property;

47 (f) interest rate, annual percentage rates and total interest
48 payable on the loan;

49 (g) initial loan fees and charges;

50 (h) description of prepayment and refinancing features; and

51 (i) inclusion of a statement that such mortgages have tax and
52 estate-planning consequences and may affect levels of, or
53 eligibility for, certain government benefits, grants or pensions, and
54 that applicants are advised to explore these matters with
55 appropriate authorities.

56 A bank shall not make a reverse mortgage loan subject to this
57 section until the prospective borrower has completed a home
58 equity conversion counseling program approved by the Executive
59 Office of Elder Affairs. For the purposes of providing the
60 counseling required by this section, the Executive Office of Elder
61 Affairs shall establish and maintain a list of approved counseling
62 programs and shall make such list available to all banks and the
63 public.

1 SECTION 2. Section 37 of chapter 171 of the General Laws,
2 as appearing in the 1986 Official Edition, is hereby amended by

3 striking out in line 5 the words “and 10” and inserting in place
4 thereof the words “ , 9A and 10”.

1 SECTION 3. Chapter 183 of the General Laws, as appearing
2 in the 1986 Official Edition, is hereby amended by adding at the
3 end thereof the following section: —

4 Section 67. No mortgagee shall make a reverse mortgage loan
5 on residential property located in the commonwealth except in
6 accordance with the provisions of paragraph 9A of subsection B
7 of section 2 of chapter 167E of the General Laws. For the purposes
8 of this section, the term “residential property” shall mean a one-
9 to-four family dwelling, owned and occupied by the mortgagor,
10 and located in the commonwealth.