HOUSE . . . . . No. 364

By Mrs. Parente of Milford, petition of Marie J. Parente for legislation to authorize banks to make reverse mortgage loans to certain mortgagors. Banks and Banking.

The Commonwealth of Massachusetts

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

AN ACT AUTHORIZING BANKS TO MAKE REVERSE MORTGAGE LOANS TO CERTAIN MORTGAGORS.

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

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

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

Before a bank makes a reverse mortgage loan it shall submit to the Commissioner for his approval the plan and any

24 subsequent amendments under which such loan is to be
25 made.
26 Each plan shall provide that
27 (1) a loan applicant shall not be bound for seven days
28 after the loan commitment is made.
29 (2) the bank shall obtain a statement signed by the bor-
30 rower acknowledging disclosure of all contractual contin-
31 gencies which could force a sale of the real estate.
32 (3) if the mortgage has a fixed term, refinancing shall be
33 made available at market rates current at the time payment
34 is due.
35 (4) the instrument shall provide for prepayment without
36 penalty at any time during the loan term.
37 (5) interest rates shall be fixed at loan origination.
38 (6) if payments are to be made to the borrower through
39 purchase of an annuity, the bank shall use an insurance com-
40 pany authorized to engage in such business, and supervised
41 by the Commonwealth.
42 (7) at the end of ten years a deferred annuity shall be pur-
43 chased to cover the borrower.
44 Each such plan submitted shall include a copy of the form
45 of the note and mortgage deed that will be used for aid loans,
46 a detailed description of how the plan will function and such
47 other information as the Commissioner may require.
48 Prior to the making of any such loan a prospective bor-
49 rower shall receive written materials explaining in reason-
50 ably simple terms the type of mortgage being offered and
51 its specific terms including;
52 (1) schedule and explanation of payments to the borrower
53 and whether property taxes and insurance are to be de-
54 ducted;
55 (2) schedule of outstanding debt over time;
56 (3) repayment date if a fixed-term loan, or event (such
57 as sale of home or death of one or more mortgagors) which
58 causes loan to become due;
59 (4) method or repayment, and schedule if any;
60 (5) all contractual contingencies, including lack of home
61 maintenance and other default provisions, which may result

62 in forced sale of the home;

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

65 (7) effective interest rate and interest earned or expected
66 to be earned on purchased annuities, based on standard mor-
67 tality tables;

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

70 (9) initial loan fees and charges;

71 (10) description of prepayment and refinancing features;
72 and

73 (11) inclusion of a statement that such mortgages have tax
74 and estate-planning consequences and may affect levels of,
75 or eligibility for, certain government benefits, grants, or
76 pensions, and that applicants are advised to explore these
77 matters with appropriate 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
3 hereby amended by striking out in line 5 the words "para-
4 graph 10" and inserting in place thereof the following
5 words: — paragraphs 9A and 10.