



# Bankers Advisory

## COMPLIANCE MONITOR

June 22, 2015

### *Oregon Amends Reverse Mortgage Disclosure Provisions*

**By Margaret Wright, J.D.**

The Oregon Legislature has enacted House Bill 2532 relating to required disclosures in communications about reverse mortgages. The Act takes effect upon its passage with an operative date of January 1, 2016.

The Notice of Reverse Mortgage Prohibition in Homestead Property Tax Deferral Program, ORS 86A.196, has been amended to include additional disclosure requirements relating to reverse mortgage advertisements, solicitations or communications. As defined by this section a reverse mortgage is “a residential mortgage transaction in which the lender provides loan proceeds to a borrower in a lump sum or in monthly installments with the expectation that the borrower will repay the loan from the proceeds of a sale or transfer of the real property that secures the loan.”

The newly enacted amendment requires inclusion of a summary of the terms of the reverse mortgage loan contract in any advertisement, solicitation or communication where the contact includes the following provisions:

- “At the conclusion of the term of the reverse mortgage loan contact, some or all of the equity in the property that is the subject of the reverse mortgage no longer belongs to the person and the person may need to sell or transfer the property to repay the proceeds of the reverse mortgage from the proceeds of the sale or transfer or the person must otherwise repay the reverse mortgage with interest from the person’s other assets.”
- “The lender will charge an origination fee, a mortgage insurance premium, closing costs or servicing fees for the reverse mortgage, all or any of which the lender will add to balance of the reverse mortgage loan.”
- “The balance of the reverse mortgage loan grows over time and the lender charges interest on the outstanding balance.”
- “The person retains title to the property that is the subject of the reverse mortgage until the person sells or transfers the property and is therefore responsible for paying property taxes, insurance, maintenance and related taxes. Failing to pay these amounts may cause the reverse mortgage loan to become due immediately”
- “Interest on a reverse mortgage is not deductible from the person’s income tax return until the person repays all or part of the reverse mortgage loan.”

When provided to the borrower in written format, the required disclosures must appear in larger type or in a type, font or color that contrasts with the surrounding text or be set off from the surrounding text in an otherwise conspicuous manner. If not provided in writing, the regulation requires that the disclosures must be “spoken in a volume and cadence that is sufficient to enable a reasonable person to hear and understand.”

These amendments exempt financial institutions as defined in ORS 706.008, a licensee as defined in ORS 725.010 or a mortgage banker or mortgage broker licensed under ORS 86A.106.

The full text of the amendment may be viewed via the below link:

<https://olis.leg.state.or.us/liz/2015R1/Measures/Overview/HB2532>

