

CHAPTER 87

AN ACT

HB 2532

Relating to required disclosures in communications about reverse mortgages; creating new provisions; amending ORS 86A.196; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 86A.196 is amended to read:

86A.196. (1) Before entering into an agreement with a borrower for a reverse mortgage, the lender shall notify the borrower in writing of the provisions of ORS 311.700 (2).

(2)(a) In any advertisement, solicitation or communication that a lender or an agent or affiliate of the lender intends as an inducement for a person to apply for or enter into a contract for a reverse mortgage, the lender or the agent or affiliate of the lender shall include a clear and conspicuous summary of the terms of the reverse mortgage. The summary must, at a minimum, disclose these provisions of the reverse mortgage loan contract to the extent that the contract includes the provision:

(A) At the conclusion of the term of the reverse mortgage loan contract, 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.

(B) 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 the balance of the reverse mortgage loan.

(C) The balance of the reverse mortgage loan grows over time and the lender charges interest on the outstanding loan balance.

(D) 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.

(E) 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.

(b) As used in paragraph (a) of this subsection:

(A) "Clear and conspicuous" means:

(i) In larger type than the surrounding text or in a type, color or font that contrasts with surrounding text of the same size or set off from surrounding text by symbols or other marks in a manner that draws attention; or

(ii) Spoken in a volume and cadence that is sufficient to enable a reasonable person to hear and understand.

(B) "Reverse mortgage" means 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.

(c) Paragraphs (a) and (b) of this subsection do not apply to a financial institution as defined in ORS 706.008, a licensee as defined in ORS 725.010 or a mortgage banker or mortgage broker that is licensed under ORS 86A.106.

SECTION 2. The amendments to ORS 86A.196 by section 1 of this 2015 Act apply to mortgage loan transactions for a reverse mortgage that occur on or after the operative date specified in section 3 of this 2015 Act.

SECTION 3. (1) The amendments to ORS 86A.196 by section 1 of this 2015 Act become operative January 1, 2016.

(2) The Director of the Department of Consumer and Business Services, before the operative date specified in subsection (1) of this section, may take any action that is necessary to enable the director to exercise, on and after the operative date specified in subsection (1) of this section, all of the duties, functions and powers conferred on the director by the amendments to ORS 86A.196 by section 1 of this 2015 Act.

SECTION 4. This 2015 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect on its passage.

Approved by the Governor May 18, 2015

Filed in the office of Secretary of State May 20, 2015

Effective date May 18, 2015