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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

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A N A C T

RELATING TO PROPERTY -- REVERSE MORTGAGES

Introduced By: Representatives MacBeth, and McLaughlin

Date Introduced: May 01, 2015

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 34-25.1-9 of the General Laws in Chapter 34-25.1 entitled "Reverse
2 Mortgages" is hereby amended to read as follows:

3 **34-25.1-9. Required counseling.** -- (a) All lenders shall deliver to all reverse mortgage
4 loan applicants a statement, if available, prepared by the department of elderly affairs on the
5 advisability and availability of independent counseling and information services. With respect to
6 every reverse mortgage loan, the prospective mortgagor(s) shall complete a reverse mortgage
7 counseling program. An original certificate, dated and signed by both the counselor and the
8 mortgagor(s), certifying that the counseling required by § 34-25.1-9 has taken place, shall be
9 delivered to the mortgagee at least three (3) business days prior to the closing of the loan. The
10 lender shall not process a reverse mortgage loan application, other than ordering an automated
11 valuation model, [ordering a credit report, obtaining information required for inclusion in a loan](#)
12 [application](#) and [ordering](#) a preliminary title search, until the counseling required by this section
13 has been completed and the certificate of counseling is delivered to the mortgagee.

14 (b) The reverse mortgage counseling program shall include, but is not limited to, all
15 matters enumerated in subsections 34-25.1-9(e)(1) through (6). The department of elderly affairs
16 shall ~~establish and~~ maintain a list of counseling programs [and agencies approved by the United](#)
17 [States Department of Housing and Urban Development and the Federal Housing Administration](#)
18 ~~that are deemed~~ to satisfy the requirements of § 34-25.1-9 and shall make such list available to all
19 lenders and to the public. ~~A counseling agency approved by the United States Department of~~

1 ~~Housing and Urban Development to provide reverse mortgage counseling shall be deemed to be~~
2 ~~approved to provide the counseling required by § 34-25.1-9~~, provided that: (1) the counseling
3 agency is not affiliated with the reverse mortgage lender; and (2) the counseling agency complies
4 with the counseling requirements of § 34-25.1-9. The director of the department of elderly affairs
5 shall have the right to prescribe the form of counseling certificate that will meet the requirements
6 of subsection 34-25.1-9(a).

7 (c) Counseling shall comply with the following requirements: (1) It shall be conducted in
8 person; however, if the prospective mortgagor(s) cannot or choose(s) not to travel to a housing
9 counseling agency and cannot be visited by a counselor in their home, telephone counseling shall
10 be permitted by counseling agencies that are authorized by ~~the department of elderly affairs~~ the
11 United States Department of Housing and Urban Development or the Federal Housing
12 Administration to conduct telephone counseling. (2) The reverse mortgage loan shall close within
13 one hundred eighty (180) days after the prospective mortgagor(s) sign(s) the counseling
14 certificate. If the reverse mortgage loan does not close within such one hundred eighty (180) day
15 period, the parties shall be required to again comply with the counseling requirements of this
16 section. (3) Mortgagees shall provide prospective mortgagors with the name of at least three (3)
17 independent, authorized counseling agencies ~~in the state~~ approved by the United States
18 Department of Housing and Urban Development or the Federal Housing Administration. The
19 mortgagee shall not recommend a counseling agency that is an affiliate of the mortgagee.

20 (d) In the event that counseling shall not be available free of charge, the mortgagee shall
21 be responsible for the cost of the counseling to the extent that all other legitimate sources or
22 funding the counseling ~~by legitimate sources~~ including, without limitation, non-profit
23 organizations and grants have not been obtained. In the event that 12 U.S.C. § 1715z-20 or the
24 federal regulations promulgated with respect thereto shall, at the time such counseling fee is due
25 and payable by the mortgagee, expressly prohibit a mortgagee from being responsible for the cost
26 of counseling, then subsection 34-25.1-9(d) shall not apply to a reverse mortgage loan that is
27 subject to 12 U.S.C. § 1715z-20 and the federal regulations promulgated with respect thereto.

28 (e) Counseling shall include, without limitation, discussion of the following with the
29 prospective mortgagor(s):

30 (1) Options other than a reverse mortgage that are available to the mortgagor(s),
31 including other housing, social service, health, and financial options;

32 (2) Other home equity conversion options that are or may become available to the
33 mortgagor(s), such as other reverse mortgages, sale-leaseback financing, deferred payment loan,
34 and property tax deferral;

1 (3) The financial implications of entering into a reverse mortgage;

2 (4) A disclosure that a reverse mortgage may have tax consequences, affect eligibility for
3 assistance under federal and state programs, and have an impact on the estate and heirs of the
4 homeowner(s), as well as an explanation of how the reverse mortgage may affect the estate and
5 public benefits of the mortgagor(s);

6 (5) Such other topics as shall be required to be addressed during counseling with respect
7 to a reverse mortgage pursuant to 12 U.S.C. § 1715z-20, and/or any regulations promulgated
8 pursuant thereto; and

9 (6) Such other topics as shall be required to be addressed by the director of the
10 department of elderly affairs.

11 (f) Subsections 34-25.1-9(b), (c) and (e) shall not apply to any reverse mortgage loan
12 that is subject to 12 U.S.C. § 1715z-20 and the federal regulations promulgated with respect
13 thereto; provided that such loan complies with the counseling requirements set forth in 12 U.S.C.
14 § 1715z-20 and the federal regulations promulgated with respect thereto (including without
15 limitation 24 CFR Part 206).

16 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO PROPERTY -- REVERSE MORTGAGES

1 This act would allow a reverse mortgage lender to order a credit report and other
2 information for a loan application prior to a mortgagor completing a counseling program, and
3 would also require that the department of elderly affairs maintain a list of federally-approved
4 counseling programs.

5 This act would take effect upon passage.

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