

SENATE BILL 283

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7lr0491

By: **Senators Ready, Bates, and Eckardt**

Introduced and read first time: January 20, 2017

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Commercial Law – Credit Regulation – Reverse Mortgages – Escrow Accounts**

3 FOR the purpose of requiring a reverse mortgage lender to establish an escrow account for
4 the payment of property taxes and insurance; requiring an escrow account to be
5 established in accordance with certain provisions of law; requiring a certain escrow
6 account to allow for monthly collection and deposit of funds; requiring a reverse
7 mortgage lender to send a certain notice to a homeowner when the lender makes
8 certain payments; providing for the application of this Act; and generally relating to
9 reverse mortgages.

10 BY repealing and reenacting, with amendments,
11 Article – Commercial Law
12 Section 12–1206
13 Annotated Code of Maryland
14 (2013 Replacement Volume and 2016 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
16 That the Laws of Maryland read as follows:

17 **Article – Commercial Law**

18 12–1206.

19 (a) (1) Except as provided in paragraph (2) of this subsection, a lender or an
20 arranger of financing may not require a borrower to purchase an annuity, a long-term care
21 policy, or other financial or insurance product as a condition to obtaining a reverse
22 mortgage loan.

23 (2) A lender or an arranger of financing may require a borrower to
24 purchase title insurance, hazard, flood, or other peril insurance, and any other financial or

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 insurance product that is required for reverse mortgage loans insured under 12 U.S.C. §
2 1715z-20.

3 (b) A lender or an arranger of financing may not refer a borrower to any person
4 for the purchase of an annuity or any other financial or insurance product before the later
5 of:

6 (1) The closing of the reverse mortgage loan; or

7 (2) The expiration of the borrower's right to rescind the reverse mortgage
8 loan agreement.

9 (c) (1) A LENDER SHALL ESTABLISH AN ESCROW ACCOUNT FOR A
10 REVERSE MORTGAGE LOAN FOR THE PAYMENT OF:

11 (i) PROPERTY TAXES; OR

12 (ii) INSURANCE REQUIRED UNDER SUBSECTION (A)(2) OF THIS
13 SECTION.

14 (2) AN ESCROW ACCOUNT REQUIRED UNDER PARAGRAPH (1) OF THIS
15 SUBSECTION SHALL:

16 (i) BE ESTABLISHED IN ACCORDANCE WITH § 12-1026 OF THIS
17 TITLE; AND

18 (ii) ALLOW FOR MONTHLY COLLECTION AND DEPOSIT OF
19 FUNDS.

20 (3) (i) IF A LENDER MAKES ANY PAYMENTS FOR TAXES OR
21 INSURANCE FOR WHICH THE BORROWER IS RESPONSIBLE, THE LENDER SHALL
22 NOTIFY THE BORROWER BY FIRST-CLASS CERTIFIED MAIL, RETURN RECEIPT
23 REQUESTED, WITHIN 30 DAYS AFTER A PAYMENT IS MADE.

24 (ii) THE NOTICE REQUIRED UNDER SUBPARAGRAPH (i) OF THIS
25 PARAGRAPH SHALL PROVIDE INSTRUCTIONS TO THE BORROWER ON HOW THE
26 BORROWER MAY DEPOSIT PAYMENTS INTO THE ESCROW ACCOUNT FOR THE
27 PAYMENT OF PROPERTY TAXES AND INSURANCE.

28 [(c)] (D) This section does not prohibit a lender or an arranger of financing from
29 offering to a borrower, or referring a borrower to a person for the purchase of:

30 (1) Title insurance;

31 (2) Hazard, flood, or other peril insurance; or

1 (3) Other products that are customary under a reverse mortgage loan.

2 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to
3 apply only prospectively and may not be applied or interpreted to have any effect on or
4 application to any reverse mortgage loan applied for before the effective date of this Act.

5 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
6 October 1, 2017.