

SENATE BILL 1101

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7lr3587

By: **Senator Ready**

Introduced and read first time: February 17, 2017

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Reverse Mortgages – Property Tax and Insurance Payments – Notice**

3 FOR the purpose of authorizing a borrower under a reverse mortgage loan to designate a
4 person to whom certain notice must be sent by a reverse mortgage lender; requiring
5 a reverse mortgage lender to send a copy of a certain notice to a certain person
6 designated by a reverse mortgage borrower; requiring a reverse mortgage lender to
7 send a certain notice to a reverse mortgage borrower and a certain person designated
8 by the borrower after the lender makes a payment for certain taxes or insurance;
9 requiring the notice to be sent in a certain manner and within a certain time period
10 and to contain certain information; providing for the application of this Act; and
11 generally relating to reverse mortgages.

12 BY repealing and reenacting, with amendments,
13 Article – Commercial Law
14 Section 12–1206
15 Annotated Code of Maryland
16 (2013 Replacement Volume and 2016 Supplement)

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

19 **Article – Commercial Law**

20 12–1206.

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (2) A lender or an arranger of financing may require a borrower to
2 purchase title insurance, hazard, flood, or other peril insurance, and any other financial or
3 insurance product that is required for reverse mortgage loans insured under 12 U.S.C. §
4 1715z-20.

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

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

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

11 **(C) (1) A BORROWER MAY DESIGNATE A PERSON TO WHOM THE LENDER**
12 **SHALL SEND NOTICE OF ANY UNPAID PROPERTY TAXES OR INSURANCE FOR WHICH**
13 **THE BORROWER IS RESPONSIBLE.**

14 **(2) A LENDER SHALL SEND A COPY OF ANY NOTICE SENT TO THE**
15 **BORROWER REGARDING UNPAID PROPERTY TAXES OR INSURANCE TO THE PERSON**
16 **DESIGNATED BY THE BORROWER UNDER PARAGRAPH (1) OF THIS SUBSECTION.**

17 **(3) AFTER A LENDER MAKES A PAYMENT FOR PROPERTY TAXES OR**
18 **INSURANCE FOR WHICH THE BORROWER IS RESPONSIBLE, THE LENDER SHALL:**

19 **(I) NOTIFY THE BORROWER, AND ANY PERSON DESIGNATED BY**
20 **THE BORROWER UNDER PARAGRAPH (1) OF THIS SUBSECTION, BY FIRST-CLASS**
21 **CERTIFIED MAIL, RETURN RECEIPT REQUESTED, WITHIN 30 DAYS AFTER THE**
22 **PAYMENT IS MADE; AND**

23 **(II) PROVIDE INSTRUCTIONS TO THE BORROWER ON HOW THE**
24 **BORROWER MAY ARRANGE FOR AUTOMATIC WITHDRAWAL PAYMENTS FOR**
25 **PROPERTY TAXES AND INSURANCE.**

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

28 (1) Title insurance;

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

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

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

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