

SENATE BILL 831

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5lr3384

By: **Senator Charles**

Introduced and read first time: January 28, 2025

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Credit Regulation – Reverse Mortgage Loans – Escrow Accounts**

3 FOR the purpose of requiring a lender for a reverse mortgage loan to establish a certain
4 escrow account for the payment of certain eligible homeowner expenses, deduct a
5 certain amount of funds from each loan distribution to a borrower, deposit the
6 deducted funds into the escrow account, and deliver on-time payments from the
7 escrow account to the appropriate collection entity for eligible homeowner expenses;
8 and generally relating to reverse mortgage loans and the payment of eligible
9 homeowner expenses.

10 BY renumbering

11 Article – Commercial Law
12 Section 12–1208
13 to be Section 12–1209
14 Annotated Code of Maryland
15 (2013 Replacement Volume and 2024 Supplement)

16 BY repealing and reenacting, without amendments,

17 Article – Commercial Law
18 Section 12–1201(a), (c), (f), and (h)
19 Annotated Code of Maryland
20 (2013 Replacement Volume and 2024 Supplement)

21 BY adding to

22 Article – Commercial Law
23 Section 12–1208
24 Annotated Code of Maryland
25 (2013 Replacement Volume and 2024 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
2 That Section(s) 12–1208 of Article – Commercial Law of the Annotated Code of Maryland
3 be renumbered to be Section(s) 12–1209.

4 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
5 as follows:

6 **Article – Commercial Law**

7 12–1201.

8 (a) In this subtitle the following words have the meanings indicated.

9 (c) “Borrower” means an individual who makes a loan application for or receives
10 a reverse mortgage loan.

11 (f) “Lender” means a person who makes a reverse mortgage loan.

12 (h) “Reverse mortgage loan” means a nonrecourse loan that:

13 (1) Is secured by the borrower’s principal dwelling;

14 (2) Provides the borrower with purchase money proceeds, a lump sum
15 payment, periodic cash advances, a line of credit, or any combination of those payment
16 plans based on the equity in or value of the borrower’s principal dwelling; and

17 (3) Requires no payment of principal or interest until the full loan becomes
18 due and payable.

19 **12–1208.**

20 **(A) (1) A LENDER SHALL ESTABLISH AN ESCROW ACCOUNT FOR A**
21 **REVERSE MORTGAGE LOAN TO BE USED FOR THE PAYMENT OF:**

22 **(I) PROPERTY TAXES;**

23 **(II) INSURANCE PREMIUMS FOR AN INSURANCE PRODUCT**
24 **REQUIRED UNDER § 12–1206(A)(2) OF THIS SUBTITLE;**

25 **(III) GROUND RENTS;**

26 **(IV) WATER AND SEWER FACILITIES ASSESSMENTS; AND**

27 **(V) HOMEOWNERS ASSOCIATION OR OTHER COMMON**
28 **OWNERSHIP COMMUNITY CHARGES.**

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

3 **(I) BE ESTABLISHED IN ACCORDANCE WITH § 12-1026 OF THIS**
4 **TITLE; AND**

5 **(II) ALLOW FOR MONTHLY COLLECTION AND DEPOSIT OF**
6 **FUNDS.**

7 **(B) A LENDER SHALL:**

8 **(1) DEDUCT FROM EACH DISTRIBUTION OF FUNDS TO THE**
9 **BORROWER UNDER THE TERMS OF THE LOAN AND DEPOSIT INTO AN ESCROW**
10 **ACCOUNT ESTABLISHED UNDER SUBSECTION (A) OF THIS SECTION AN AMOUNT OF**
11 **FUNDS THAT IS:**

12 **(I) PROPORTIONAL TO THE PLANNED DISTRIBUTION**
13 **SCHEDULE OF FUNDS UNDER THE TERMS OF THE LOAN; AND**

14 **(II) SUFFICIENT TO COVER THE ESTIMATED COSTS OF THE**
15 **ELIGIBLE HOMEOWNER EXPENSES DESCRIBED UNDER SUBSECTION (A)(1) OF THIS**
16 **SECTION;**

17 **(2) DELIVER AN ON-TIME PAYMENT OF EACH ELIGIBLE HOMEOWNER**
18 **EXPENSE DESCRIBED UNDER SUBSECTION (A)(1) OF THIS SECTION FROM THE**
19 **APPROPRIATE ESCROW ACCOUNT ESTABLISHED UNDER SUBSECTION (A) OF THIS**
20 **SECTION TO THE COLLECTION ENTITY FOR EACH ELIGIBLE EXPENSE.**

21 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
22 October 1, 2025.