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Economic Matters Committee



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THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401  
**House Bill 1196**

**Commercial Law – Credit Regulation – Reverse Mortgage Loans Act – Revisions**

• ***Why is the Bill being introduced?***

- House Bill 1196 will update Maryland's current law – The Maryland Reverse Mortgage Loan Act of 2010 - to give greater access to credit for Maryland seniors and will retain and add consumer protections for seniors wishing to choose a private, non-government insured reverse mortgage.
- Under the Maryland Reverse Mortgage Act of 2010, any reverse mortgage in Maryland that is not an FHA-insured loan must comply with all FHA HECM program requirements.
- The FHA HECM has various limitations that may disqualify certain seniors from leveraging the equity in their home(s) for financial planning purposes as well as a mechanism to stay in their home. These limitations include:
  - maximum loan amounts
  - restrictions on certain condominium properties make them ineligible
  - age limitation – borrower must be 62.5 to be eligible for an FHA HECM

• ***What does the Bill do?***

- House Bill 1196 would clarify the issues caused by Maryland's current law by not requiring private, non-FHA-insured reverse mortgages to comply with every FHA HECM program guideline.
- Seniors with substantial equity in higher valued homes could leverage their equity through a private reverse mortgage which allows for higher loan amounts than allowed under the FHA HECM.
- House Bill 1196 may allow seniors that own condominiums in projects that are not FHA approved to obtain a reverse mortgage in Maryland
- The bill will allow for homeowners as young as 60 years old obtain a reverse mortgage (FHA HECM limits minimum age to 62.5 years old)
- House Bill 1196 retains consumer protections such as counseling, underwriting and limits on offering other financial services products with a reverse mortgage such as annuities.
- Additional consumer protections added by this bill include: (1) a disclosure checklist advising consumers what to cover with the counselor in counseling, (2) a pre-closing disclosure explaining adjustable rates, if applicable, and maturity events and other terms of a reverse mortgage, (3) a 7 day cooling off period after commitment before a consumer can close a loan, (4) fee limits, (5) annual disclosures with information on the loan over the past year, and (6) servicing rate adjustment disclosures for adjustable rate loans.

• ***Why is it important to pass now?***

- House Bill 1196 will open new opportunities for senior citizens to stay in their homes and leverage their equity through a private reverse mortgage, while strengthening consumer protections for Maryland seniors.
- FHA may further limit the HECM program to seniors most in need by further restricting loan limits, leaving many more Maryland seniors without good options to access their home equity.
- Having the ability to obtain a private reverse mortgage and using the equity in their homes to receive funds can help Maryland seniors that are dealing with financial challenges caused by the COVID-19 pandemic.