



Testimony offered on behalf of:
MARYLAND MORTGAGE BANKERS & BROKERS ASSOCIATION
NATIONAL REVERSE MORTGAGE LENDERS ASSOCIATION

IN SUPPORT OF:
HB1196 – Commercial Law – Credit Regulation –
Reverse Mortgage Loans Act – Revisions

House Economic Matters Committee
Hearing – March 3, 2021, 1:30 PM

The Maryland Mortgage Bankers and Brokers Association (MMBBA) and the National Reverse Mortgage Lenders Association (NRMLA) **STRONGLY SUPPORTS House Bill 1196, Commercial Law – Credit Regulation – Reverse Mortgage Loans Act – Revisions.**

Maryland House Bill 1196 would change Maryland law in a way that would make it more likely that mortgage lenders will make private reverse mortgages in Maryland. This would allow greater access to credit for Maryland seniors. HB 1196 not only retains current consumer protections, but also places additional consumer protections for seniors that wish to choose a private, non-government insured reverse mortgage.

For many years, the most prevalent reverse mortgage program is and has been the Federal Housing Administration Home Equity Conversion Mortgage (or HECM). The reason for the lack of a market for private reverse mortgages in Maryland is the way in which the Maryland Reverse Mortgage Loan Act is crafted. Subject to three exceptions, under the Maryland Reverse Mortgage Loan Act, any reverse mortgage in Maryland that is not FHA-insured HECM must comply with all FHA HECM program requirements.

Since the Maryland Reverse Mortgage Loan Act (SB799 in 2009) became law, there have been many changes to the FHA HECM program, not all of which are conducive to a private market. One should note that most of the changes made to the FHA HECM program since 2010 were designed to protect the federal insurance fund that insures FHA-insured mortgages. Some of these changes include an initial disbursement limit where a borrower cannot receive all their loan funds until 12 months have passed under the loan term. Further, FHA continues to have restrictions on certain condominium properties that make certain properties ineligible for FHA loan programs. Additionally, since 2010, as the FHA program has changed, questions have arisen in Maryland that are unresolved regarding items such as, under current Maryland law, what amount of funds can a borrower receive under a private loan, and when. HB1196 would correct these issues by not requiring private, non-FHA-insured reverse mortgages to comply with every FHA HECM program guideline.

Moreover, HB 1196 retains consumer protections for private reverse mortgage holders in Maryland, protections such as: borrower counseling, financial assessment underwriting and limits on offering other financial services products with a reverse mortgage such as annuities as well as other additional consumer protections. Those additional consumer protections include:

- (1) a new consumer disclosure checklist advising consumers what to cover with the counselor in counseling,
- (2) a pre-closing disclosure that explains any adjustable rate 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) an annual disclosure with information on the loan over the past year, and
- (6) servicing rate adjustment disclosures for adjustable-rate loans.

The impact of this bill is that it will allow Maryland senior citizens to choose between a private reverse mortgage or the FHA-insured HECM per FHA HECM rules. This bill will allow Maryland senior citizens to consider a private reverse mortgage that is crafted pursuant to robust consumer protections.

For these reasons, the Maryland Mortgage Bankers and Brokers Association and the National Reverse Mortgage Lenders Association recommend that House Bill 1196 be given a **FAVORABLE REPORT**.

Thank you for your consideration.

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