

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

S

3

SENATE BILL 125\*  
House Committee Substitute Favorable 3/22/95  
Corrected Copy 3/23/95

Short Title: Remove Sunset on Reverse Mortgages.

(Public)

---

Sponsors:

---

Referred to:

---

February 2, 1995

1 A BILL TO BE ENTITLED  
2 AN ACT TO REMOVE THE SUNSET ON REVERSE MORTGAGES AND TO  
3 CHANGE THE DISCLOSURE REQUIREMENTS FOR REVERSE MORTGAGE  
4 LOANS.

5 The General Assembly of North Carolina enacts:

6 Section 1. Section 3 of Chapter 546 of the 1991 Session Laws reads as  
7 rewritten:

8 "Sec. 3. This act becomes effective October 1, 1991. ~~This act expires October 1,~~  
9 ~~1995. No reverse mortgage loan may be made on or after the date the act expires. The~~  
10 ~~expiration of the act does not affect the validity of a reverse mortgage loan made before~~  
11 ~~the date of expiration."~~

12 Sec. 2. G.S. 53-264 reads as rewritten:

13 "**§ 53-264. Disclosures of loan terms.**

14 (a) On forms prescribed by the Commissioner, all authorized lenders shall provide  
15 all of the following information to the Commissioner for dissemination to all counselors  
16 who provide counseling to prospective reverse mortgage borrowers:

- 1 (1) The borrower's rights, obligations, and remedies with respect to the  
2 borrower's temporary absence from the home, late payments by the  
3 lender, and payment default by the lender.
- 4 (2) Conditions or events that require the borrower to repay the loan  
5 obligation.
- 6 (3) The right of the borrower to mortgage less than the full value of the  
7 home, if permitted by the reverse mortgage loan contract.
- 8 (4) The projected total annual percentage rate applicable under various loan  
9 terms and appreciation rates and interest rates applicable at sample ages  
10 of borrowers. Compliance with the disclosure requirements relating to  
11 reverse mortgages set forth in Chapter 2 of Title I of the Federal Truth  
12 in Lending Act shall constitute compliance with this subsection.
- 13 (5) Standard closing costs.
- 14 (6) All service fees to be charged during the term of the loan.
- 15 (7) Other information required by the Commissioner.

16 (b) Within 10 business days after application is made by a borrower, but not less  
17 than 20 business days before closing of the loan, lenders shall provide applicants with the  
18 same information required in subsection (a) of this section, shall inform applicants that  
19 reverse mortgage counseling is ~~required before the loan can be closed, available,~~ and shall  
20 provide the names and addresses of counselors listed with the Commissioner's office.  
21 The lender shall maintain a copy of a disclosure form signed by the borrower stating the  
22 borrower has received the information required in subsections (a) and (b)."

23 Sec. 3. G.S. 53-270 reads as rewritten:

24 "**§ 53-270. Prohibited acts.**

25 Reverse mortgage lenders are prohibited from engaging in any of the following acts in  
26 connection with the making, servicing, or collecting of a reverse mortgage loan:

- 27 (1) Misrepresenting material facts, making false promises, or engaging in a  
28 course of misrepresentation through agents or otherwise.
- 29 (2) Failing to disburse funds in accordance with the terms of the reverse  
30 mortgage loan contract or other written commitment.
- 31 (3) Improperly refusing to issue a satisfaction of a mortgage.
- 32 (4) Engaging in any action or practice that is unfair or deceptive, or that  
33 operates a fraud on any person.
- 34 (5) Contracting for or receiving shared appreciation.
- 35 ~~(6) Closing a reverse mortgage loan without receiving certification from a~~  
36 ~~counselor that the borrower has received counseling on the advisability~~  
37 ~~of a reverse mortgage loan and the appropriate reverse mortgage loan~~  
38 ~~for the borrower.~~
- 39 ~~(7)~~(6) Failing to comply with this Article."

40 Sec. 4. This act is effective upon ratification.