

SENATE BILL 855

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6lr1916

By: **Senators Kelley, Feldman, Hershey, Klausmeier, and Middleton**

Introduced and read first time: February 5, 2016

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Commercial Law – Reverse Mortgages – Escrow Accounts**

3 FOR the purpose of requiring a reverse mortgage lender to establish an escrow account for
4 the payment of property taxes and insurance; requiring an escrow account to be
5 established in accordance with certain provisions of law; requiring a certain escrow
6 account to allow for monthly collection and deposit of funds; providing for the
7 application of this Act; and generally relating to reverse mortgages.

8 BY repealing and reenacting, with amendments,

9 Article – Commercial Law

10 Section 12–1206

11 Annotated Code of Maryland

12 (2013 Replacement Volume and 2015 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

14 That the Laws of Maryland read as follows:

15 **Article – Commercial Law**

16 12–1206.

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

21 (2) A lender or an arranger of financing may require a borrower to
22 purchase title insurance, hazard, flood, or other peril insurance, and any other financial or
23 insurance product that is required for reverse mortgage loans insured under 12 U.S.C. §
24 1715z–20.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

7 **(C) (1) A LENDER SHALL ESTABLISH AN ESCROW ACCOUNT FOR A**
8 **REVERSE MORTGAGE LOAN FOR THE PAYMENT OF PROPERTY TAXES, OR INSURANCE**
9 **REQUIRED UNDER § 12-1206(A)(2) OF THIS SUBTITLE.**

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

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

14 **(II) ALLOW FOR MONTHLY COLLECTION AND DEPOSIT OF**
15 **FUNDS.**

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

18 (1) Title insurance;

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

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

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

24 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
25 October 1, 2016.