

SUBJECT: Constitutional amendment to allow reverse mortgages for purchase

COMMITTEE: Investments and Financial Services — favorable, without amendment

VOTE: 4 ayes — Villarreal, Flynn, Anderson, Burkett
0 nays — None
3 absent — Laubenberg, Longoria, Phillips

SENATE VOTE: On final passage, March 12 — 31-0

WITNESSES: For — Andrew Cates, Texas Association of Realtors; John Fleming, Texas Mortgage Bankers Association; W. Scott Norman, Sente Reverse Mortgage; Emily Rickers, Alliance for Texas Families; Sandy Silver (*Registered but did not testify*: Brandon Aghamalian, Texas Land Title Association; Celeste Embrey, Texas Bankers Association; Daniel Gonzalez, Texas Association of Realtors; Scott Norman, Texas Association of Builders; Joe Sanches, AARP; Steve Scurlock, Independent Bankers Association of Texas; Chelsey Thomas, Texas Association of Builders)
Against — None
On — None

BACKGROUND: The U.S. Department of Housing and Urban Development (HUD) oversees a Home Equity Conversion Mortgage (HECM) for Purchase program, which allows seniors, age 62 or older, to purchase a new principal residence using loan proceeds from the reverse mortgage.

The program was designed to allow seniors to purchase a new principal residence and obtain a reverse mortgage within a single transaction. The program was also designed to enable senior homeowners to relocate to other areas to be closer to family members or downsize to homes that meet their physical needs, such as with handrails, single-level properties, ramps, wider doorways, or other needs.

DIGEST: SJR 18 would propose an amendment to the Texas Constitution to allow a reverse mortgage for the purchase of a homestead property. The borrower would have to occupy the homestead property as a principal residence within a specified time after the reverse mortgage closing.

The proposed amendment would require a prospective reverse mortgage borrower and the borrower's spouse complete financial counseling before the reverse mortgage closing.

It also would require a lender to provide to a prospective borrower a disclosure with a detailed description of borrower behavior that could lead to foreclosure, including among other things, the borrower requirement to pay property taxes. Both the lender and borrower would have to sign the disclosure.

The proposal would be presented to the voters at an election on Tuesday, November 5, 2013. The ballot proposal would read: "The constitutional amendment to authorize the making of a reverse mortgage loan for the purchase of homestead property and to amend lender disclosures and other requirements in connection with a reverse mortgage loan."

SUPPORTERS SAY: SJR 18 would increase seniors' flexibility to meet their financial needs by authorizing reverse mortgages for purchase and would increase financial disclosures and counseling requirements to borrowers considering a traditional reverse mortgage or reverse mortgage for purchase.

Currently, traditional home equity conversion mortgages, which enable homeowners to access the equity accumulated in their homes, are permitted, but the Texas Constitution does not expressly authorize reverse mortgages for purchase. Texas is the only state in which a homeowner may not use the reverse mortgage for purchase transaction because the Constitution does not allow it.

Many seniors would like to sell their current home to downsize to a more suitable home, relocate to a region with a lower cost of living, or move closer to family or medical care. In Texas, seniors must perform separate transactions to purchase a new home with a mortgage and then take out a reverse mortgage on the home's equity, which require separate closing costs. SJR 18 would allow Texas seniors to combine those steps into a single transaction, thereby saving money on closing costs and allowing them to move into the new home without a mortgage payment.

SJR 18 also would ensure that borrowers considering a traditional reverse mortgage or a reverse mortgage for purchase receive a detailed disclosure that described the borrower's obligations upon closing and ways in which foreclosure could occur.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The cost to the state for the publication of the resolution would be \$108,021, according to the Legislative Budget Board.