

HOUSE BILL 2382

By Vaughan

AN ACT to amend Tennessee Code Annotated, Title 39, Chapter 15, Part 5; Title 45, Chapter 2, Part 12; Title 45, Chapter 20; Title 47, Chapter 30 and Title 67, Chapter 4, Part 4, relative to reverse mortgages.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 47-30-101, is amended by deleting "Home Equity Conversion Mortgage Act" and substituting "Tennessee Reverse Mortgage Innovation Act".

SECTION 2. Tennessee Code Annotated, Section 47-30-102(1)(C), is amended by deleting "home equity conversion" and substituting "reverse mortgage".

SECTION 3. Tennessee Code Annotated, Section 47-30-102(4), is amended by deleting "either", deleting "under Fannie Mae guidelines" in subdivision (B), and adding the following as a new subdivision:

(C) A person or entity approved by the department of financial institutions;

SECTION 4. Tennessee Code Annotated, Section 47-30-102(6), is amended by deleting the subdivision.

SECTION 5. Tennessee Code Annotated, Section 47-30-102(7), is amended by deleting the subdivision.

SECTION 6. Tennessee Code Annotated, Section 47-30-102(8), is amended by deleting the subdivision.

SECTION 7. Tennessee Code Annotated, Section 47-30-102(11), is amended by deleting the subdivision and substituting:

(11) "Reverse mortgage" or "reverse mortgage loan" means a loan for a definite or indefinite term:

(A) Secured by a first mortgage or first deed of trust on the principal residence of the mortgagor;

(B) The proceeds of which are disbursed to the mortgagor in one (1) or more lump sums, or in equal or unequal installments, either directly by the lender or the lender's agent;

(C) That requires no repayment until a future time, upon the earliest occurrence of one (1) or more events specified in the reverse mortgage loan contract; and

(D) Is labeled clearly on the face of the note and deed of trust or mortgage, with the:

(i) Name of the loan product;

(ii) Name of the lender or insurer; and

(iii) The statement, "This is a reverse mortgage pursuant to

Tennessee Code Annotated, Title 47, Chapter 30";

SECTION 8. Tennessee Code Annotated, Section 47-30-102(12), is amended by deleting the subdivision.

SECTION 9. Tennessee Code Annotated, Section 47-30-103(b), is amended by deleting the subsection and substituting:

(b) The Tennessee housing development agency, and any bank, savings institution, or credit union, must be designated an authorized lender by providing notice, not less than thirty (30) days prior to making a reverse mortgage loan, to the commissioner of its intent to make such loans and stating an effective date. This notification must be made on a form prescribed by the commissioner and must contain

all information required by the commissioner and contain evidence that the applicant is an approved lender. The commissioner may object to the notice by denying the designation prior to the effective date and shall state in the objection the reasons for the objection.

SECTION 10. Tennessee Code Annotated, Section 47-30-103(c), is amended by deleting "Fannie Mae or HUD" and substituting "reverse mortgage".

SECTION 11. Tennessee Code Annotated, Section 47-30-104, is amended by deleting the section and substituting:

(a) A reverse mortgage loan contract must conform to the requirements of this chapter. A reverse mortgage loan, home equity conversion loan, mortgage, or deed of trust that fails to comply with this chapter is unenforceable as to all interest, service fees, and insurance premiums incurred on the loan.

(b) A reverse mortgage loan may, but need not, be insured or guaranteed by a state or federal agency. Proprietary reverse mortgage loans that are not FHA-insured are authorized under this chapter; provided, that they comply with all provisions of this part and applicable federal and state law.

(c) A reverse mortgage loan is a non-recourse loan, and the lender's recovery is limited to the proceeds from the sale or transfer of the secured property.

(d) Prior to closing a reverse mortgage loan, the lender shall receive certification that all borrowers and necessary loan participants have received independent counseling from a counselor.

SECTION 12. Tennessee Code Annotated, Section 47-30-107(b)(2), is amended by deleting ". These fees shall not exceed the monthly service fee or insurance premium permitted by HUD for participation in the Home Equity Conversion Mortgage Program or by Fannie Mae for a Fannie Mae Reverse Mortgage Loan".

SECTION 13. Tennessee Code Annotated, Section 47-30-107(b)(3), is amended by deleting ", which complies with Fannie Mae guidelines or HUD regulations".

SECTION 14. Tennessee Code Annotated, Section 47-30-107(b)(4), is amended by deleting ", if the transaction is a Fannie Mae Reverse Mortgage Loan of any principal amount notwithstanding § 47-24-102".

SECTION 15. Tennessee Code Annotated, Section 47-30-108(a), is amended by deleting ", other than a Fannie Mae Reverse Mortgage Loan,".

SECTION 16. Tennessee Code Annotated, Section 47-30-109(b), is amended by deleting "listed with HUD or Fannie Mae".

SECTION 17. Tennessee Code Annotated, Section 47-30-115(5), is amended by deleting ", except that this subdivision (5) shall not apply to any Fannie Mae Reverse Mortgage Loan".

SECTION 18. Tennessee Code Annotated, Section 47-30-115, is amended by adding the following as a new subdivision:

(8) Engaging in cross-selling by requiring or soliciting the purchase of an annuity, insurance policy, or other financial product as a condition of obtaining or authorizing a reverse mortgage loan.

SECTION 19. Tennessee Code Annotated, Section 47-30-117, is amended by designating the existing language as subsection (a), and adding the following as a new subsection:

(b) It is further the intent of the general assembly to modernize this chapter to align this state with the best practices nationwide by expanding the financial tools available to senior homeowners and homebuyers and to provide maximum flexibility while maintaining strong consumer protections, thereby positioning this state as a national leader in retirement innovation and flexibility.

SECTION 20. Tennessee Code Annotated, Section 47-30-118, is amended by deleting the section.

SECTION 21. Tennessee Code Annotated, Section 39-15-509(d)(2)(K), is amended by deleting "home equity conversion mortgage" and substituting "reverse mortgage".

SECTION 22. Tennessee Code Annotated, Section 45-2-1202(5)(K), is amended by deleting "home equity conversion mortgage" and substituting "reverse mortgage".

SECTION 23. Tennessee Code Annotated, Section 45-20-102(9)(D)(iii), is amended by deleting the subdivision and substituting:

(iii) A reverse mortgage loan, as defined in the Tennessee Reverse Mortgage Innovation Act, compiled in title 47, chapter 30;

SECTION 24. Tennessee Code Annotated, Section 67-4-409(b)(2), is amended by deleting "Home Equity Conversion Mortgage Act, as compiled in title 47, chapter 30" and substituting "Tennessee Reverse Mortgage Innovation Act, compiled in title 47, chapter 30".

SECTION 25. The Tennessee code commission is requested to revise the heading for Tennessee Code Annotated, Title 47, Chapter 30, to more accurately reflect the changes made in this act.

SECTION 26. The headings in this act are for reference purposes only and do not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the headings in any compilation or publication containing this act.

SECTION 27. This act takes effect upon becoming law, the public welfare requiring it.