

# Senate Bill 534

Sponsored by Senator PATTERSON (Pre-session filed.)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: Lets a lender who gives a lump sum as the loan in a reverse mortgage get only that part of the total equity in the house to which the lump sum is equal at the time the lender gives the lump sum. (Flesch Readability Score: 61.4)

Allows a lender that, in a reverse mortgage, provides a lump sum in exchange for a claim upon the equity of a property to claim as the lender's equity, and receive as proceeds in a sale of the property, not more than the percentage of the total equity in the property to which the lump sum is equivalent on the date the lender provides the lump sum.

Declares an emergency, effective on passage.

## A BILL FOR AN ACT

1  
2 Relating to allowable claims of equity in a property that is subject to a reverse mortgage; creating  
3 new provisions; amending ORS 86A.196; and declaring an emergency.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 86A.196 is amended to read:

6 86A.196. (1) **As used in this section:**

7 (a) **"Clear and conspicuous" means:**

8 (A) **In larger type than the surrounding text or in a type, color or font that contrasts**  
9 **with surrounding text of the same size or set off from surrounding text by symbols or other**  
10 **marks in a manner that draws attention; or**

11 (B) **Spoken in a volume and cadence that is sufficient to enable a reasonable person to**  
12 **hear and understand.**

13 (b) **"Reverse mortgage" means a residential mortgage transaction in which the lender**  
14 **provides loan proceeds to a borrower in a lump sum or in monthly installments with the**  
15 **expectation that the borrower will repay the loan from the proceeds of a sale or transfer of**  
16 **the real property that secures the loan.**

17 [(1)] (2) Before entering into an agreement with a borrower for a reverse mortgage, a lender  
18 shall notify the borrower in writing of the provisions of ORS 311.700 (2).

19 [(2)(a)] (3) In any advertisement, solicitation or communication that a lender or an agent or af-  
20 filiate of the lender intends as an inducement for a person to apply for or enter into a contract for  
21 a reverse mortgage, the lender or the agent or affiliate of the lender shall include a clear and con-  
22 spicuous summary of the terms of the reverse mortgage. The summary must, at a minimum, disclose  
23 [these] **the following** provisions of the reverse mortgage loan contract to the extent that the con-  
24 tract includes the provision:

25 [(A)] (a) At the conclusion of the term of the reverse mortgage loan contract, some or all of the  
26 equity in the property that is the subject of the reverse mortgage no longer belongs to the person  
27 and the person may need to sell or transfer the property to repay the proceeds of the reverse

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.  
New sections are in **boldfaced** type.

1 mortgage from the proceeds of the sale or transfer or the person must otherwise repay the reverse  
2 mortgage, with interest, from the person's other assets.

3 [(B)] (b) The lender will charge an origination fee, a mortgage insurance premium, closing costs  
4 or servicing fees for the reverse mortgage, all or any of which the lender will add to the balance  
5 of the reverse mortgage loan.

6 [(C)] (c) The balance of the reverse mortgage loan grows over time and the lender charges in-  
7 terest on the outstanding loan balance.

8 [(D)] (d) The person retains title to the property that is the subject of the reverse mortgage until  
9 the person sells or transfers the property and is therefore responsible for paying property taxes,  
10 insurance, maintenance and related taxes. Failing to pay these amounts may cause the reverse  
11 mortgage loan to become due immediately and may subject the property to a tax lien or other  
12 encumbrance or to possible foreclosure.

13 [(E)] (e) Interest on a reverse mortgage is not deductible from the person's income tax return  
14 until the person repays all or part of the reverse mortgage loan.

15 **(4) A lender that in a reverse mortgage provides a lump sum in exchange for a claim**  
16 **upon the equity of a property may claim as the lender's equity, and receive as proceeds in**  
17 **a sale of the property, not more than the percentage of the total equity in the property to**  
18 **which the lump sum is equivalent on the date the lender provided the lump sum. A provision**  
19 **in a contract for a reverse mortgage that entails or allows for a claim on the equity of the**  
20 **property that is more than the percentage described in this subsection is void and without**  
21 **effect.**

22 [(b) *As used in paragraph (a) of this subsection:*]

23 [(A) *"Clear and conspicuous" means:*]

24 [(i) *In larger type than the surrounding text or in a type, color or font that contrasts with sur-*  
25 *rounding text of the same size or set off from surrounding text by symbols or other marks in a manner*  
26 *that draws attention; or]*

27 [(ii) *Spoken in a volume and cadence that is sufficient to enable a reasonable person to hear and*  
28 *understand.*]

29 [(B) *"Reverse mortgage" means a residential mortgage transaction in which the lender provides*  
30 *loan proceeds to a borrower in a lump sum or in monthly installments with the expectation that the*  
31 *borrower will repay the loan from the proceeds of a sale or transfer of the real property that secures*  
32 *the loan.*]

33 [(3)(a)] (5)(a) A lender [who] **that** has a contract with a person for a reverse mortgage each year  
34 shall send a notice with the information specified in subsection [(2)(a)(D)] (3)(d) of this section to  
35 the person or to any escrow agent, title insurance company or other agent that pays property taxes  
36 from an escrow account on the person's behalf. The lender shall send the notice to the person at the  
37 person's last-known address or to the escrow agent, title insurance company or other agent at the  
38 address the lender has in the lender's records for the escrow agent, title insurance company or other  
39 agent. The lender shall send the notice at least 60 calendar days before property taxes are due for  
40 the property that is subject to the reverse mortgage.

41 (b) Paragraph (a) of this subsection does not apply to a contract for a reverse mortgage that  
42 includes a reserve account for taxes.

43 [(4)] (6) Subsections [(2)] (3) and [(3)] (5) of this section do not apply to a financial institution,  
44 as defined in ORS 706.008, or to a licensee, as defined in ORS 725.010.

45 **SECTION 2. The amendments to ORS 86A.196 by section 1 of this 2025 Act apply to con-**

1 tracts for a reverse mortgage that a borrower enters into with a lender on or after the ef-  
2 fective date of this 2025 Act.

3 **SECTION 3.** This 2025 Act being necessary for the immediate preservation of the public  
4 peace, health and safety, an emergency is declared to exist, and this 2025 Act takes effect  
5 on its passage.  
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