

## ALEC EXPOSED

"ALEC" has long been a secretive collaboration between Big Business and "conservative" politicians. Behind closed doors, they ghostwrite "model" bills to be introduced in state capitols across the country. This agenda—underwritten by global corporations—includes major tax loopholes for big industries and the super rich, proposals to offshore U.S. jobs and gut minimum wage, and efforts to weaken public health, safety, and environmental protections. Although many of these bills have become law, until now, their origin has been largely unknown. With **ALEC EXPOSED**, the Center for Media and Democracy hopes more Americans will study the bills to understand the depth and breadth of how big corporations are changing the legal rules and undermining democracy across the nation.

### ALEC's Corporate Board —in recent past or present

- AT&T Services, Inc.
- centerpoint360
- UPS
- Bayer Corporation
- GlaxoSmithKline
- Energy Future Holdings
- Johnson & Johnson
- Coca-Cola Company
- PhRMA
- Kraft Foods, Inc.
- Coca-Cola Co.
- Pfizer Inc.
- Reed Elsevier, Inc.
- DIAGEO
- Peabody Energy
- Intuit, Inc.
- Koch Industries, Inc.
- ExxonMobil
- Verizon
- Reynolds American Inc.
- Wal-Mart Stores, Inc.
- Salt River Project
- Altria Client Services, Inc.
- American Bail Coalition
- State Farm Insurance

For more on these corporations, search at [www.SourceWatch.org](http://www.SourceWatch.org).

**DID YOU KNOW?** Corporations VOTED to adopt this. Through ALEC, global companies work as "equals" in "unison" with politicians to write laws to govern your life. Big Business has "a VOICE and a VOTE," according to newly exposed documents. **DO YOU?**

[Home](#) → [Model Legislation](#) → [Health and Human Services](#)  
**The Reverse Mortgage Enabling Act**

Did you know that global pharmaceutical company Bayer Healthcare was the corporate co-chair in 2011?

### Summary

This Act would allow persons to meet their financial needs by accessing the equity in their home through a reverse mortgage. Monies secured by this means would allow elderly homeowners to maintain ownership of their homes while being able to pay for long-term care, whether at home or in an institution. These resources could also be used to pay for the premiums for long-term care, if needed. Home equity of the elderly is estimated to be over \$800 billion, which is a vast resource of financing long-term care. In fact, 75 percent of the population over the age of 65 own their own homes.

### Model Legislation

{Title, enacting clause, etc.}

**Section 1.** This Act may be cited as the **Reverse Mortgage Enabling Act**.

#### Section 2. {Statement of Purpose.}

It is the intent of this legislation that elderly homeowners be permitted to meet their financial needs by accessing the equity in their homes through a reverse mortgage.

The legislature recognizes that many restrictions and requirements that exist to govern traditional mortgage transactions are inapplicable in the context of reverse mortgages.

In order to foster reverse mortgage transactions and better serve the elderly citizens of this state, this legislature authorizes the making of reverse mortgages, and expressly relieves reverse mortgage lenders and borrowers from compliance with inappropriate requirements.

#### Section 3. {Definitions.}

(A) "Reverse mortgage" means a non-recourse loan secured by real property which:

(1) provides cash advances to a borrower based on the equity in a borrower's owner-occupied principal residence;

(2) requires no payment of principal or interest until the entire loan becomes due and payable; and

(3) is made by any lender authorized to engage in business as a bank, savings institution, or credit union under the laws of (*name of state*) of the United States, or any other lender authorized to make reverse mortgage loans by the (*name of state agency*).

#### Section 4. {General Rules for Reverse Mortgages.}

Reverse mortgage loans shall be governed by the following rules, without regard to the requirements set out elsewhere for other types of mortgage transactions:

(A) {Prepayment} Payment, in whole or in part, shall be permitted without penalty at any time during the period of the loan.

(B) {Intervening Liens} All advances made under a reverse mortgage and all interest on such advances shall have priority over any lien filed after the closing of a reverse mortgage.

(C) {Interest} A reverse mortgage may provide for an interest rate which is fixed or adjustable, and may also provide for interest that is contingent on appreciation in the value of the property.

(D) {Periodic Advances} If a reverse mortgage provides for periodic advances to a borrower, such advances shall not be reduced in amount or number based on any adjustment in the interest rate.

(E) {Lender Default} Lenders failing to make loan advances as required in the loan documents, and failing to cure such default as required in the loan documents, shall forfeit any right to collect interest. Lenders may also be subject to administrative penalty as determined by the department.

(F) {Mortgage Recordation Tax} The recordation tax on reverse mortgages shall not exceed the actual cost of recording the mortgage.

(G) {Repayment}

(1) the mortgage shall become due and payable upon the occurrence of any one of the

following events:

- (a) the home securing the loan is sold,
- (b) all borrowers cease occupying the home as a principal residence, subject to the additional conditions set forth in Section 7, Subsections 2a and 2b;
- (c) any fixed maturity date agreed to by the lender and the borrower is reached; or
- (d) an event occurs that is specified in the loan documents and that jeopardizes the lender's security.

(2) the repayment requirement is also expressly subject to the following additional conditions:

- (a) temporary absences from the home not exceeding 60 consecutive days shall not cause the mortgage to become due and payable;
- (b) temporary absences from the home exceeding 60 consecutive days but less than one year shall not cause the mortgage to become due and payable so long as the borrower has taken prior action that secures the home in a manner satisfactory to the lender;
- (c) the lender's right to collect reverse mortgage proceeds shall be subject to the applicable statute of limitations for loan contracts in Title (*insert title number*), Section (*insert section number*). Notwithstanding Section (*insert section number*), the statute of limitations shall commence on the date that the mortgage becomes due and payable;
- (d) the lender must prominently disclose any interest or other fees to be charged during the period that commences on the date that the mortgage becomes due and payable, and ends when repayment in full is made.

#### **Section 5. {Inapplicability of Related Statutes.}**

Reverse mortgage loans may be made or acquired without regard to the following provisions for other types of mortgage transactions set out in the statutes specified below:

- (A) Limitations on the purpose and use of future advances or any other mortgage proceeds;
- (B) Limitations on future advances to a term of years, or limitations on the term of credit line advances;
- (C) Limitations on the term during which future advances take priority over intervening advances;
- (D) Requirements that a maximum mortgage amount be stated in the mortgage;
- (E) Limitations on loan-to-value ratios;
- (F) Prohibitions on balloon payments;
- (G) Prohibitions on compounded interest and interest on interest;
- (H) Interest rate limits under the usury statutes; and
- (I) Requirements that a percentage of the loan proceeds must be advanced prior to loan assignment.

#### **Section 6. {Treatment of Reverse Mortgage Loan Proceeds by Public Benefit Programs.}**

- (A) Reverse mortgage loan payments made to a borrower shall be treated as proceeds from a loan and not as income for the purpose of determining eligibility and benefits under means-tested programs of aid to individuals.
- (B) Undisbursed funds shall be treated as equity in a borrower's home and not as proceeds from a loan for the purpose of determining eligibility and benefits under means-tested programs of aid to individuals.
- (C) This Act applies to any law relating to payments, allowances, benefits, or services provided on a means-tested basis by this state, including but not limited to supplemental security income, low-income energy assistance, property tax relief, medical assistance, and general assistance.

#### **Section 7. {Consumer Information and Counseling.}**

- (A) No reverse mortgage commitment shall be made by a lender unless the loan applicant attests, in writing, that the applicant received from the lender at time of initial inquiry a statement prepared by the (name of state agency) regarding the advisability and availability of independent information and counseling services on reverse mortgages.
- (B) The (*insert name of appropriate state agency*) shall be responsible for:
  - (1) providing independent consumer information on reverse mortgages and alternatives; and
  - (2) referring consumers to independent counseling services with expertise in reverse mortgages.

#### **Section 8. {Severability clause.}**

**Exposed**

By the Center for  
Media and Democracy  
[www.prwatch.org](http://www.prwatch.org)

Section 9. {Repealer clause.}

Section 10. {Effective date.}

Were your laws repealed?

1995 Sourcebook of American State Legislation. Ammended by the HHS Task Force in 2002

**About Us** and **ALEC EXPOSED**. The Center for Media and Democracy reports on corporate spin and government propaganda. We are located in Madison, Wisconsin, and publish [www.PRWatch.org](http://www.PRWatch.org), [www.SourceWatch.org](http://www.SourceWatch.org), and now [www.ALECexposed.org](http://www.ALECexposed.org). For more information contact: [editor@prwatch.org](mailto:editor@prwatch.org) or 608-260-9713.