

RCW 31.04.515 Loan requirements—Compliance—Rules. The department of financial institutions has specific authority to develop rules regarding the interpretation and implementation of this section. A proprietary reverse mortgage loan must comply with all of the following requirements:

(1) For the purposes of this section prepayment, in whole or in part, or the refinancing of a reverse mortgage loan, is permitted without penalty at any time during the term of the reverse mortgage loan. For the purposes of this section, penalty does not include any fees, payments, or other charges, not including interest, that would have otherwise been due upon the reverse mortgage being due and payable. However, when a reverse mortgage lender has paid or waived all of the usual fees or costs associated with a reverse mortgage loan, a prepayment penalty may be imposed, provided the penalty does not exceed the total amount of the usual fees or costs that were initially absorbed or waived by the reverse mortgage lender. A mortgagee may not impose a prepayment penalty under this subsection if the prepayment is caused by the occurrence of the death of the borrowers. A borrower must be provided prior written notice of any permissible prepayment penalty under this section;

(2) A reverse mortgage loan may provide for a fixed or adjustable interest rate or combination thereof, including compound interest, and may also provide for interest that is contingent on the value of the property upon execution of the loan or at maturity, or on changes in value between closing and maturity;

(3) The lender shall pay a late charge to the borrower for any late advance. If the lender does not mail or electronically transfer a scheduled monthly advance to the borrower on the first business day of the month, or within five business days of the date the lender receives the request, or such other regularly scheduled contractual date, the late charge is ten percent of the entire amount that should have been paid to the borrower for that month or as a result of that request. For each additional day that the lender fails to make the advance, the lender shall pay interest on the late advance at the interest rate stated in the loan documents. If the loan documents provide for an adjustable interest rate, the rate in effect when the late charge first accrues is used. Any late charge is paid from the lender's funds and may not be added to the unpaid principal balance. Additionally, the lender forfeits the right to interest and a monthly servicing fee for any months in which the advance has not been timely made. This section does not affect the department of financial institution's ability to impose other sanctions to protect consumers of reverse mortgage loans;

(4) The reverse mortgage loan may become due and payable upon the occurrence of any one of the following events:

(a) The home securing the loan is sold or title to the home is otherwise transferred;

(b) All borrowers cease occupying the home as a principal residence, except as provided in subsection (5) of this section; or

(c) A defaulting event occurs which is specified in the loan documents;

(5) Repayment of the reverse mortgage loan is subject to the following additional conditions:

(a) Temporary absences from the home not exceeding one hundred eighty consecutive days do not cause the mortgage to become due and payable;

(b) Extended absences from the home exceeding one hundred eighty consecutive days, but less than one year, do not cause the mortgage to become due and payable if the borrower has taken prior action that secures and protects the home in a manner satisfactory to the lender, as specified in the loan documents;

(c) The lender's right to collect reverse mortgage loan proceeds is subject to the applicable statute of limitations for written loan contracts. Notwithstanding any other provision of law, the statute of limitations shall commence on the date that the reverse mortgage loan becomes due and payable as provided in the loan agreement; and

(d) Using conspicuous, bold sixteen-point or larger type, the lender shall disclose in the loan agreement any interest rate or other fees to be charged during the period that commences on the date that the reverse mortgage loan becomes due and payable, and that ends when repayment in full is made;

(6) The first page of any deed of trust securing a reverse mortgage loan must contain the following statement in sixteen-point boldface type: "This deed of trust secures a reverse mortgage loan;"

(7) A lender or any other party that participates in the origination of a reverse mortgage loan shall not require an applicant for a reverse mortgage to purchase an annuity, insurance, or another product as a condition of obtaining a reverse mortgage loan. A reverse mortgage lender or a broker arranging a reverse mortgage loan shall not:

(a) Offer an annuity to the borrower prior to the closing of the reverse mortgage or before the expiration of the right of the borrower to rescind the reverse mortgage agreement;

(b) Refer the borrower to anyone for the purchase of an annuity prior to the closing of the reverse mortgage or before the expiration of the right of the borrower to rescind the reverse mortgage agreement; or

(c) Provide marketing information or annuity sales leads to anyone regarding the prospective borrower or borrower, or receive any compensation for such an annuity sale or referral;

(8) (a) A lender or any other party that participates in the origination of a reverse mortgage loan shall maintain safeguards, acceptable to the department of financial institutions, to ensure that individuals offering reverse mortgage loans do not provide reverse mortgage borrowers with any other financial or insurance products and that individuals participating in the origination of a reverse mortgage loan have no ability or incentive to provide the borrower with any other financial or insurance product;

(b) The borrower shall not be required, directly or indirectly, as a condition of obtaining a reverse mortgage under this section, to purchase any other financial or insurance products;

(9) Prior to accepting a final and complete application for a reverse mortgage loan or assessing any fees, a lender shall refer the prospective borrower to an independent housing counseling agency approved by the federal department of housing and urban development for counseling. The counseling must meet the standards and requirements established by the federal department of housing and urban development for reverse mortgage counseling. The lender shall provide the borrower with a list of at least five independent housing counseling agencies approved by the federal department of housing and urban development, including at least two agencies that can provide counseling by telephone. Telephone counseling is only available at the borrower's request;

(10) A lender shall not accept a final and complete application for a reverse mortgage loan from a prospective applicant or assess any fees upon a prospective applicant without first receiving a certification from the applicant or the applicant's authorized representative that the applicant has received counseling from an agency as described in subsection (9) of this section. The certification must be signed by the borrower and the agency counselor, and must include the date of the counseling and the names, addresses, and telephone numbers of both the counselor and the borrower. Electronic facsimile copy of the housing counseling certification satisfies the requirements of this subsection. The lender shall maintain the certification in an accurate, reproducible, and accessible format for the term of the reverse mortgage;

(11) A reverse mortgage loan may not be made for a Washington state resident unless that resident is a minimum of sixty years of age as of the date of execution of the loan; and

(12) Except for the initial disbursement of moneys to the closing agent, advances by the lender to the borrower must be issued directly to the borrower, or his or her legal representative, and not to an intermediary or third party. [2009 c 149 § 3.]