

11-2125

DEC 16 2011

HOUSING, COMM & ECON. DEVELOP.

MOTION

Reverse mortgages can be a helpful tool for seniors to receive a monthly payment derived from the equity they have in a home. However, in many cases, consumers take out a reverse mortgage without a good understanding of the positive and negative features of the mortgage. Reverse mortgages are complex products available to senior consumers, many of whom are more vulnerable to abusive practices.


Reverse mortgages are available for those who are at least 62 years of age and who have equity in a home. Unlike a traditional home equity loan or second mortgage, reverse mortgages are helpful for older homeowners because repayment is not required until the borrower no longer uses the home as their principal residence, sells the house or dies.


Consumers applying for reverse mortgages typically receive lengthy disclosures that do not explain the particular features unique to reverse mortgages. Consumers should be provided with simple language that highlights the basic features and risks of reverse mortgages and discloses the true cost of borrowing. Information about any potential fees accrued should be disclosed.

Other jurisdictions have implemented programs to provide disclosure on reverse mortgages. In Springfield, Massachusetts, anyone applying for a reverse mortgage must meet with an independent, state-approved counselor who helps the homeowner understand the features of a reverse mortgage, the impact of reverse mortgage on the homeowner and their heirs, and other available options. The City of Los Angeles needs to work to develop reverse mortgage disclosures models that are understandable to consumers and will help them make informed financial decisions.

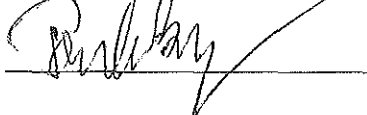
I THEREFORE MOVE that the Housing Department, City Attorney, and Chief Legislative Analyst to report back on whether there is more the City can do to improve the disclosures consumers receive for reverse mortgage refinancing which typically impacts low-income seniors.

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ORIGINAL