



93RD GENERAL ASSEMBLY
State of Illinois
2003 and 2004

Introduced 02/05/04, by Michael K. Smith

SYNOPSIS AS INTRODUCED:

205 ILCS 5/5a	from Ch. 17, par. 312
205 ILCS 105/1-6a	from Ch. 17, par. 3301-6a

Amends the Illinois Banking Act and the Illinois Savings and Loan Act of 1985. Provides for a civil penalty of \$50,000 for violations of law in connection with reverse mortgage loans made to elderly persons. Requires the penalty to be paid into the Community Senior Services and Resources Fund. Effective immediately.

LRB093 15959 SAS 41582 b

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning reverse mortgage loans.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Banking Act is amended by changing
5 Section 5a as follows:

6 (205 ILCS 5/5a) (from Ch. 17, par. 312)

7 Sec. 5a. Reverse mortgage loans. Notwithstanding any other
8 provision of this Act, a bank may engage in making "reverse
9 mortgage" loans.

10 For purposes of this Section, a "reverse mortgage" loan
11 shall be a loan extended on the basis of existing equity in
12 homestead property. A bank, in making a "reverse mortgage"
13 loan, may add deferred interest to principal or otherwise
14 provide for the charging of interest or premium on the deferred
15 interest.

16 The loans shall be repaid upon sale of the property or upon
17 the death of the owner or, if the property is in joint tenancy,
18 upon the death of the last surviving joint tenant who had an
19 interest in the property at the time the loan was initiated.

20 "Homestead" property, for purposes of this Section, means
21 the domicile and contiguous real estate owned and occupied by
22 the mortgagor.

23 With respect to the advertising, solicitation, sale,
24 billings, or collections relating to reverse mortgages when the
25 consumer is an elderly person, an additional civil penalty of
26 \$50,000 may be imposed for each violation. The civil penalty
27 must be deposited in the Community Senior Services and
28 Resources Fund. For purposes of this Section, "elderly person"
29 means a person 60 years of age or older.

30 The Commissioner of Banks and Real Estate shall prescribe
31 rules governing this Section and Section 1-6a of the Illinois
32 Savings and Loan Act of 1985.

1 (Source: P.A. 88-643, eff. 1-1-95; 89-508, eff. 7-3-96.)

2 Section 10. The Illinois Savings and Loan Act of 1985 is
3 amended by changing Section 1-6a as follows:

4 (205 ILCS 105/1-6a) (from Ch. 17, par. 3301-6a)

5 Sec. 1-6a. Reverse mortgage loans. Notwithstanding any
6 other provision of this Act, an association may engage in
7 making "reverse mortgage" loans to persons for the purpose of
8 making home improvements or repairs, paying insurance
9 premiums, or paying real estate taxes on the homestead
10 properties of those persons.

11 For purposes of this Section, a "reverse mortgage" loan
12 shall be a loan extended on the basis of existing equity in
13 homestead property. An association, in making a "reverse
14 mortgage" loan, may add deferred interest to principal or
15 otherwise provide for the charging of interest or premium on
16 the deferred interest.

17 The loans shall be repaid upon sale of the property or upon
18 the death of the owner or, if the property is in joint tenancy,
19 upon the death of the last surviving joint tenant who had an
20 interest in the property at the time the loan was initiated.

21 "Homestead" property, for purposes of this Section, means
22 the domicile and contiguous real estate owned and occupied by
23 the mortgagor.

24 With respect to the advertising, solicitation, sale,
25 billings, or collections relating to reverse mortgages when the
26 consumer is an elderly person, an additional civil penalty of
27 \$50,000 may be imposed for each violation. The civil penalty
28 must be deposited in the Community Senior Services and
29 Resources Fund. For purposes of this Section, "elderly person"
30 means a person 60 years of age or older.

31 The Commissioner of Banks and Real Estate shall prescribe
32 rules governing this Section and Section 5a of the Illinois
33 Banking Act.

34 (Source: P.A. 89-508, eff. 7-3-96.)

1 Section 99. Effective date. This Act takes effect upon
2 becoming law.