

# STATE OF NEW YORK

9095

## IN ASSEMBLY

January 17, 2020

Introduced by M. of A. DINOWITZ -- read once and referred to the Committee on Banks

AN ACT to amend the banking law, the uniform commercial code and the civil practice law and rules, in relation to reverse cooperative apartment unit loans

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The banking law is amended by adding a new section 6-o to  
2 read as follows:

3 § 6-o. Reverse cooperative apartment unit loans for persons sixty-two  
4 years of age or older. 1. For purposes of this section, the following  
5 terms shall have the following meanings:

6 (a) Reverse cooperative apartment unit loan. A loan which is secured  
7 by shares or membership in a cooperative apartment that is or intended  
8 to be the primary residence of the borrower or borrowers the proceeds of  
9 which are advanced to the borrower or borrowers during the term of the  
10 loan in equal installments, or in advances through a line of credit or  
11 otherwise, in a lump sum, or through a combination thereof. Interest  
12 and fees will accrue during the life of the loan and will be added to  
13 the principal balance of the loan, but will not become due and payable  
14 until the borrower(s) dies, permanently vacates the apartment or  
15 defaults on the terms of the loan, and will continue to accrue until the  
16 loan is paid in full.

17 (b) Loan payout options:

18 (i) Term payment option. Under the term payment option, equal monthly  
19 payments are made by the lender to the borrower for a fixed term of  
20 months chosen by the borrower.

21 (ii) Tenure payment option. Under the tenure payment option, equal  
22 monthly payments are made by the lender to the borrower, until the loan  
23 is prepaid in full or becomes due and payable.

24 (iii) Line of credit payment option. Under the line of credit payment  
25 option, payments are made by the lender to the borrower at times and in  
26 amounts determined by the borrower as long as the amounts do not exceed  
27 the maximum amount of loan proceeds.

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1 (iv) Single lump sum payment option. Under the single lump sum payment  
2 option, the borrower receives an amount from the lender that does not  
3 exceed the maximum amount of loan proceeds. Set asides required for  
4 disbursements such as loan closing costs or for monthly maintenance  
5 fees, will be deducted from the amount of proceeds available to the  
6 borrower.

7 (c) Authorized lender. Any bank, trust company, national banking asso-  
8 ciation, savings bank, savings and loan association, federal savings  
9 bank, federal savings and loan association, credit union, or federal  
10 credit union or any licensed mortgage banker approved for the making of  
11 reverse mortgage loans by the superintendent or any entity exempted from  
12 licensing pursuant to section five hundred ninety of this chapter and  
13 approved for the making of reverse mortgage loans by the superintendent.

14 (d) Borrower. A tenant in severalty who is sixty-two years of age or  
15 older, or if the cooperative apartment unit is held by tenants by the  
16 entirety or by joint tenancy, the youngest of which is sixty-two years  
17 age or older.

18 (e) Superintendent. The superintendent of financial services of this  
19 state.

20 (f) Department. The department of financial services of this state.

21 (g) Third-party contact. The lender must ask the borrower if they want  
22 to designate a third-party contact, such as a family member, trusted  
23 friend, advisor or other party whom the borrower would like to be  
24 contacted. It shall be the borrower's discretion to choose if the third-  
25 party contact is to be contacted if (i) the borrower has not returned  
26 the occupancy form, and/or (ii) the loan is in default for any reason  
27 and the lender plans to proceed on collecting on the loan, i.e., initi-  
28 ating eviction or foreclosure and/or (iii) the borrower cannot be  
29 reached.

30 2. A cooperative apartment unit loan pursuant to this section shall be  
31 subject to the following:

32 (a) the borrower shall be granted lifetime possession of the subject  
33 premises of the cooperative apartment unit which is the security for the  
34 reverse cooperative apartment unit loan, as long as such apartment unit  
35 remains the borrowers' primary residence and the borrower is not in  
36 default under the reverse cooperative apartment unit loan. The borrower  
37 or borrowers must certify annually on each anniversary of the loan, that  
38 they reside in the unit and that it is their primary residence;

39 (b) the lender shall ask the borrower if they designate a third party  
40 contact, collect such information from the borrower and update such  
41 information annually on each anniversary of the loan;

42 (c) subject to such rules or regulations as the superintendent may  
43 adopt, a reverse cooperative apartment unit loan shall be made at either  
44 a fixed or variable rate of interest;

45 (d) subject to such rules or regulations as the superintendent may  
46 adopt, the authorized lender may require a borrower to establish a set  
47 aside account for the purposes of paying property taxes, maintenance or  
48 cooperative fees, insurance premiums of the property securing the  
49 reverse cooperative apartment unit loan, or for the payment of any other  
50 fees and expenses;

51 (e) a lender who fails to make loan advances as required in the loan  
52 documents, and fails to cure an actual default after notice as specified  
53 in the loan documents, shall forfeit any right to collect interest or  
54 service charges under the contract. The lender's right to recovery at  
55 loan maturity shall be limited to the outstanding balance as of the  
56 date of lender's default, minus all interest. However, a lender shall

1 not be required to make loan advances under a loan if the borrower is in  
2 default under the loan;

3 (f) the outstanding balance may be prepaid in full by the borrower  
4 without penalty at any time during the reverse cooperative apartment  
5 unit loan term;

6 (g) an authorized lender is prohibited from using or attaching any  
7 property or asset of the borrower or heirs of the borrower except the  
8 apartment unit securing the reverse cooperative apartment unit loan in  
9 settlement of a reverse loan obligation--the loan is a non-recourse  
10 loan;

11 (h) an authorized lender shall deliver to the applicant upon applica-  
12 tion, a statement prepared by the department providing the contact  
13 information for New York approved, or U.S. Department of Housing and  
14 Urban Development approved, reverse mortgage housing counselors with  
15 cooperative housing training approved by the department whom the cooper-  
16 ative apartment owner can call for independent counseling and informa-  
17 tion services. Further, no reverse loan commitment shall be issued by  
18 the authorized lender until the applicant presents, in writing, a form  
19 that certifies the terms of the reverse cooperative apartment unit loan  
20 have been explained to them by a New York or U.S. Department of Housing  
21 and Urban Development approved reverse mortgage housing counselor with  
22 cooperative housing training approved by the department. The form of  
23 such statement and affidavit and cooperative housing counseling services  
24 shall be approved by the superintendent;

25 (i) an authorized lender shall deliver to an applicant such disclo-  
26 tures as may be required by the superintendent which shall describe the  
27 relevant portions of the reverse loan being offered, and shall include  
28 but not be limited to the following items:

29 (i) a schedule of payments to and from the borrower and the total  
30 payments in dollars over the life expectancy of the youngest borrower of  
31 the reverse cooperative apartment unit loan for the borrower;

32 (ii) a statement prominently displayed advising applicants to consult  
33 with appropriate authorities regarding tax and estate planning conse-  
34 quences of a reverse cooperative apartment unit loan;

35 (iii) where applicable a description of prepayment and refinancing  
36 features;

37 (iv) to the extent determinable at or prior to the inception of the  
38 reverse cooperative apartment unit loan, the interest rate and, an esti-  
39 mate of the total interest payable on the reverse cooperative apartment  
40 unit loan;

41 (v) a statement concerning the compliance of the lender with the  
42 criteria established by the superintendent that an authorized lender  
43 must meet before it may make reverse cooperative apartment unit loans  
44 pursuant to this section;

45 (vi) a statement setting forth those events which would cause the loan  
46 to become due and payable (or cause the borrower to default) the reverse  
47 cooperative apartment unit loan;

48 (vii) the loan is subject to a three day right of rescission by the  
49 borrower; and

50 (viii) a financial statement setting forth an estimate of all costs  
51 associated with the loan;

52 (j) an authorized lender shall deliver to each borrower at the time of  
53 closing of a reverse cooperative unit loan two copies of the borrower's  
54 right to cancel and instructions for how to cancel the loan to be  
55 prescribed by the superintendent;

1 (k) a reverse cooperative apartment unit loan pursuant to this section  
2 shall expressly and conspicuously bear a legend identifying it as such  
3 in at least fourteen-point font;

4 (1) a reverse cooperative apartment unit loan shall clearly set forth  
5 the terms for when the loan becomes due and payable, including:

6 (i) regardless of loan payout option chosen by the borrower, the loan  
7 note shall state that the outstanding loan balance will not be due and  
8 payable in full until the last borrower dies, or if a borrower conveys  
9 all of his or her title in the property and no other borrower retains  
10 title to the property; and

11 (ii) the loan note shall state that the outstanding loan balance shall  
12 be due and payable in full if any of the following occur:

13 (1) the property ceases to be the primary residence of a borrower for  
14 reasons other than death and the property is not the primary residence  
15 of at least one other borrower;

16 (2) for a period of longer than twelve consecutive months, a borrower  
17 fails to occupy the property because of physical or mental illness and  
18 the property is not the primary residence of at least one other borrow-  
19 er; or

20 (3) an obligation of the borrower under the loan note is not met;

21 (m) in the event that an authorized lender or holder of the reverse  
22 cooperative apartment unit loan determines the loan is in default and  
23 intends to initiate proceedings pursuant to the note, the lender shall  
24 notify the borrower's third-party contact. In the event that the borrow-  
25 er has not designated a third-party contact to receive such notice of  
26 foreclosure, then the authorized lender or the holder of said reverse  
27 cooperative apartment unit loan shall notify the local or county office  
28 for the aging of its intent to commence foreclosure proceedings. Such  
29 entity shall take appropriate action to protect the interests of the  
30 borrower;

31 (n) a reverse cooperative apartment unit loan secured by a unit in a  
32 cooperative housing corporation shall also be subject to the prior  
33 approval by the cooperative's board of directors; and

34 (o) no reverse cooperative apartment unit loan shall be subject to  
35 mandatory binding arbitration.

36 3. A reverse cooperative apartment unit loan pursuant to this section  
37 may:

38 (a) provide that an authorized lender may, consistent with federal  
39 laws and regulations, include a due-on-sale clause in its reverse coop-  
40 erative apartment unit loan agreement and at its option exercise and  
41 enforce such clause in accordance with its terms; and

42 (b) provide that the borrower's closing costs, including but not  
43 limited to loan or commitment fees if any, insurance premiums, repairs,  
44 legal fees, the costs of third party counseling, the costs of paying off  
45 any existing mortgages or liens, and other appropriate costs be included  
46 in the principal of the reverse cooperative apartment unit loan and  
47 disbursed out of the loan proceeds at closing.

48 4. The superintendent shall adopt such rules or regulations as he or  
49 she considers appropriate to govern a reverse cooperative apartment unit  
50 loan made pursuant to this section. No reverse cooperative apartment  
51 unit loan shall be made unless it conforms to the requirements of this  
52 section and such rules and regulations as the superintendent may adopt.

53 5. No authorized lender or any other party or entity shall in any  
54 manner, in the marketing or offering of reverse cooperative apartment  
55 unit loans, engage in any unfair or deceptive practices in connection

1 with the marketing or offering of reverse cooperative apartment unit  
2 loans, and, additionally, shall not:

3 (a) use the words "public service announcement" in any commercial,  
4 mailing, advertisement or writing relating thereto;

5 (b) use the words "government insured" or other similar language  
6 representing that reverse cooperative apartment unit loans are insured,  
7 supported and sponsored by any governmental entity in any commercial,  
8 mailing, advertisement or writing relating thereto; or

9 (c) represent that any such loan is other than a commercial product.

10 6. (a) Every authorized lender and assignee must obtain a surety bond  
11 in the amount of one hundred thousand dollars for the benefit of claims  
12 against the lender/assignee for failure to perform their obligations to  
13 the borrower. The superintendent will hold the surety bond. In addition,  
14 a lender or assignee shall maintain an irrevocable standby letter of  
15 credit from a financial institution approved by the superintendent in  
16 favor of the lender or assignee in an amount necessary to fund all  
17 reverse mortgage loan requirements anticipated over the next twelve  
18 months for loans then on the lender's books and those expected to be  
19 made over the next twelve months or three million dollars, whichever is  
20 greater. The initial term of the letter of credit shall be at least two  
21 years. A lender or assignee also shall maintain a minimum capital of ten  
22 million dollars. A lender may rely upon its parent company to meet the  
23 minimum capital requirements. The requirements for a letter of credit  
24 shall not apply to loans that are fully funded at consummation. The  
25 minimum capital requirements shall not apply to lenders or assignees  
26 that sell loans in the secondary market to a financially viable finan-  
27 cial institution, and the superintendent shall define the requirements  
28 of what constitutes a "financially viable financial institution prior to  
29 any secondary market sale".

30 (b) Every authorized lender or its agent shall provide, with any  
31 solicitation for reverse cooperative apartment unit loan products mailed  
32 to a physical address within the state, supplemental consumer protection  
33 materials the content and form of which shall be specified by the super-  
34 intendent or his or her designee.

35 (c) Every authorized lender shall provide each applicant or potential  
36 applicant for a reverse cooperative apartment unit loan with the tele-  
37 phone number and internet website address provided by the department for  
38 the purposes of acquiring reverse cooperative apartment unit loan coun-  
39 seling.

40 (d) The superintendent is authorized to promulgate such rules and  
41 regulations as he or she shall deem necessary to implement the  
42 provisions of this subdivision.

43 7. For reverse cooperative apartment unit loans, authorized lender and  
44 their agents shall:

45 (a) provide a monthly account statement, and for all borrowers whose  
46 maintenance fees, special assessments mortgage insurance payments, home-  
47 owners insurance payments, or payments stemming from any other property  
48 obligation or obligations are administered by the authorized lender, and  
49 where these payments are derived from the proceeds of the loan, the  
50 authorized lender shall provide on the borrower's account statement the  
51 current balance remaining in the borrower's line of credit or lifetime  
52 expectancy set aside, the projected annual property charges for that  
53 year, and a notice which reads in at least fourteen point type:

54 "YOUR MAINTENANCE FEES AND SPECIAL ASSESSMENTS ARE CURRENTLY BEING  
55 PAID BY THE PROCEEDS OF THIS LOAN. THE FUNDS THAT HAVE BEEN SET ASIDE  
56 ARE EXPECTED TO BE EXHAUSTED AFTER THE MAINTENANCE FEES AND SPECIAL



1 ASSESSMENT PAYMENTS OF (SPECIFY EXPECTED MONTH AND YEAR). IF THE  
2 PROCEEDS OF THIS LOAN CANNOT PAY THE MAINTENANCE FEES AND SPECIAL  
3 ASSESSMENTS, YOU MUST PAY THESE OBLIGATIONS OR YOUR COOP SHARES MAY BE  
4 LOST TO FORECLOSURE. PLEASE NOTE THAT MAINTENANCE FEES AND SPECIAL  
5 ASSESSMENTS CAN VARY SO YOU SHOULD CONTINUE TO REVIEW THIS NOTICE FOR  
6 CHANGES."

7 (b) by telephone and first class mail, inform and provide notice to a  
8 borrower when his or her home equity line of credit or life expectancy  
9 set aside is depleted to twenty percent or less of its value. Such  
10 notice shall inform the borrower of his or her obligations relating to  
11 such real property including, but not limited to, mortgage insurance,  
12 homeowners insurance and real property taxes previously paid by such  
13 line of credit or life expectancy set aside, and that such obligations  
14 must continue to be paid when the home equity line of credit or life  
15 expectancy set aside is depleted. Such notice shall use plain language,  
16 written in a clear and coherent manner using words with common and every  
17 day meanings, appropriately divided and captioned by its various  
18 sections. If the lender or its agent is unable to contact the borrower  
19 by telephone, notice must be sent to the third-party contact if author-  
20 ized by the borrower.

21 (c) Each authorized lender shall, by telephone and first class mail,  
22 inform and provide notice to a borrower when his or her home equity line  
23 of credit or life expectancy set aside is depleted. Such notice shall  
24 inform the borrower of his or her obligations relating to the cooper-  
25 ative apartment unit including, but not limited to, mortgage insurance,  
26 homeowners insurance and real property taxes, and that the home equity  
27 line of credit or life expectancy set aside will no longer pay these  
28 obligations. Such notice shall use plain language, written in a clear  
29 and coherent manner using words with common and every day meanings,  
30 appropriately divided and captioned by its various sections.

31 8. In the event that an authorized lender determines a reverse cooper-  
32 ative apartment unit loan to be in default on the basis that the cooper-  
33 ative apartment is no longer the primary residence of or occupied by the  
34 borrower, if during the verification of the borrower's primary residence  
35 and/or occupancy no responses are received in response to mailings  
36 relating thereto, such lender shall cause a telephone call to be made to  
37 the borrower, or if the borrower is unreachable by telephone, to the  
38 third-party contact if designated, and an in person visit to be made to  
39 the borrower at the cooperative apartment to be made prior to the  
40 commencement of any proceeding to enforce the lender's rights under the  
41 note. During such visit, the authorized lender or its agent shall  
42 provide clear information as to who they are, that the visit pertains to  
43 the reverse cooperative apartment unit loan, the reason for the home  
44 visit, and the telephone number to call for further information. The  
45 authorized lender must wait at least thirty days following such visit,  
46 in addition to any additional time or notice requirements specified by  
47 any other provision of law, before initiating a foreclosure action on  
48 the basis that the cooperative apartment is no longer the primary resi-  
49 dence of the borrower. If the borrower contacts the authorized lender  
50 and provides proof of residence or occupancy after such visit but before  
51 the commencement of a proceeding to enforce the lender's rights under  
52 the note, the authorized lender shall be barred from initiating such  
53 action. Furthermore, no authorized lender shall charge a borrower any  
54 fee for any such visit and inspection. This prohibition on the imposi-  
55 tion of fees shall include any and all inspections conducted by the

1 authorized lender to verify the status of the reverse cooperative apart-  
2 ment unit loan, or any suspected or actual default condition.

3 9. Notwithstanding any inconsistent provision of law, the priority of  
4 the lien of a reverse cooperative apartment unit loan, including the  
5 lien for all principal, interest, fees, costs, and other charges  
6 assessed in connection with the reverse loan, shall date from the filing  
7 of a UCC-1 notice for the loan irrespective of the date of any advance  
8 of reverse loan proceeds or the date by which an authorized lender shall  
9 be entitled to accrued but unpaid interest, fees, costs or other charg-  
10 es.

11 10. Nothing in this section shall be construed to limit, impair or  
12 otherwise affect the priority, under applicable law, of any other mort-  
13 gage, deed of trust, encumbrance or lien which was filed prior to the  
14 effective date of this section.

15 11. The sale or transfer of the interest in the cooperative apartment  
16 unit securing the reverse cooperative apartment unit loan to a person  
17 other than an original borrower or borrowers shall result in the termi-  
18 nation of the reverse loan.

19 12. Any person who has been injured by reason of any violation of this  
20 section or any violation of the rules and regulations of the department  
21 relating to the reverse cooperative apartment unit loan program may  
22 bring an action in his or her own name to recover treble his or her  
23 actual damages, plus the prevailing plaintiff's reasonable attorneys'  
24 fees.

25 13. Compliance with the provisions of this section shall be conditions  
26 precedent to commencing an action to foreclose upon a reverse cooper-  
27 ative apartment unit loan which is subject to the provisions of this  
28 section, and the failure to comply therewith shall be a complete defense  
29 to such action.

30 § 2. Subsection (f) of section 9-611 of the uniform commercial code is  
31 amended by adding a new paragraph 1-a to read as follows:

32 (1-a) Notwithstanding any other provision of law, with regard to a  
33 reverse cooperative apartment unit loan, at least forty-five days before  
34 a secured party, as defined under Section 9-102(a)(73), or its agent  
35 takes any steps to dispose of its collateral, as provided for in Section  
36 9-610, the secured party or its agent shall give notice to the borrower,  
37 and separate notice to the borrower's designated third-party if one has  
38 been designated in at least fourteen-point type except for the heading  
39 which shall be in at least sixteen-point type. The notice shall include  
40 the following:

41 YOU COULD LOSE YOUR COOPERATIVE APARTMENT UNIT TO FORECLOSURE.

42 PLEASE READ THE FOLLOWING NOTICE CAREFULLY.

43 Date

44 Borrower's address

45 Loan Number:

46 Property Address:

47 Dear Borrower(s) {or heirs of Debtor?}:

48 As of \_\_\_\_\_, your reverse cooperative apartment unit loan is in  
49 default. Under New York State Law, we are required to send you this  
50 notice to inform you that you may be at risk of losing your home.

51 Your reverse loan is in default because you have not complied with the  
52 following conditions of your loan:

53 \_\_\_\_\_ You are not occupying your cooperative apartment unit as your  
54 primary residence

55 \_\_\_\_\_ You did not submit the required annual certificate of occupancy

56 \_\_\_\_\_ The named borrower on the reverse loan has died

1        You did not pay maintenance on your unit to the cooperative corpo-  
2 ration, and {servicer} paid your maintenance for you on the following  
3 date(s) in the following amount(s):

4  
5        You did not make required repairs to your unit  
6 If the claim is based on your failure to pay maintenance to the cooper-  
7 ative corporation, you can cure this default by making the payment of  
8 \$                for the advances we made towards these payments on your  
9 behalf.

10 You have the right to dispute the claims listed above by contacting us,  
11 by calling                or sending a letter to                . This  
12 may include proof of payments made for water and sewer charges or a  
13 current declaration page from your insurance company, or any other proof  
14 to dispute the servicer's claim.

15 OPTIONS MAY BE AVAILABLE FOR YOU TO CURE YOUR DEFAULT. SOME OF THESE  
16 OPTIONS ARE LISTED BELOW. YOU MAY CONTACT {SERVICER} AT {TOLL-FREE  
17 NUMBER} TO DISCUSS YOUR OPTIONS.

18 If you are in default for failure to pay maintenance, you may qualify  
19 for a re-payment plan to cure the default balance owed.

20 Attached to this notice is a list of New York approved housing coun-  
21 seling agencies and legal services in your area which provide free coun-  
22 seling. A statewide listing by county is also available at  
23 [http://www.dfs.ny.gov/consumer/mortg\\_nys\\_np\\_counseling\\_agencies.htm](http://www.dfs.ny.gov/consumer/mortg_nys_np_counseling_agencies.htm).  
24 You may also call your local Department of Aging for a referral or call  
25 311 if you live in New York City.

26 Qualified free help is available; watch out for companies or people who  
27 charge a fee for these services.

28 You may also contact {SERVICER} directly at                and ask to  
29 discuss all possible options to allow you to cure your default and  
30 prevent the foreclosure of your home. While we cannot ensure that a  
31 resolution is possible, we encourage you to take immediate steps to try  
32 to achieve a resolution. The longer you wait, the fewer options you may  
33 have.

34 If you have not taken any actions to resolve this matter within ninety  
35 days from the date this notice was mailed, we will have the right to  
36 take your cooperative shares from you.

37 If you need further information, please call the New York State Depart-  
38 ment of Financial Services' toll-free helpline at 877-226-5697 or visit  
39 the Department's website at <http://www.dfs.ny.gov>.

40 IMPORTANT: You have the right to remain in your unit until you receive a  
41 court order telling you to leave the property. If a foreclosure action  
42 is filed against you in court, you still have the right to remain in the  
43 unit until a court orders you to leave. You legally remain the owner of  
44 your cooperative shares and are responsible for the unit until the  
45 shares are transferred to a new owner through a sale. However, there  
46 will be no court proceeding before the shares are transferred to a new  
47 owner. After the shares are transferred, the new owner may begin a court  
48 proceeding to evict you from the unit.

49 This notice is not an eviction notice.

50        § 3. The civil practice law and rules is amended by adding a new rule  
51 3410 to read as follows:

52        Rule 3410. Face-to-face meeting for foreclosure of reverse cooperative  
53 apartment unit loans. (a) For purposes of this rule, default shall only  
54 include a borrower's breach of an obligation under the reverse mortgage  
55 cooperative loan agreement, and shall not include death of the borrower  
56 or the borrower's permanent vacating of the cooperative unit.



(b) In any action recovery involving a borrower's default under a reverse cooperative apartment unit loan, as defined in paragraph (a) of subdivision one of section six-o of the banking law, the lender shall file a petition with the supreme court of the county in which the cooperative apartment is located stating that the loan is in default and the reason for the default. The petition must be served on the borrower pursuant to section three hundred eight of this chapter. Within ten days of the date of service of the notice to the borrower, the petitioner must file a specialized request for judicial intervention with the clerk. Within sixty days of receipt of the notice or on such adjourned date as has been agreed to by the parties, the court shall hold a mandatory settlement conference for the purpose of holding settlement discussions pertaining to the relative rights and obligations of the parties under the loan documents, including, but not limited to:

1. determining whether the parties can reach a mutually agreeable resolution to help the borrower avoid losing his or her cooperative apartment unit, and evaluating the potential for a resolution or other workout options may be agreed; or

2. whatever other purposes the court deems appropriate.

(c) At any meeting held pursuant to this rule, the lender and the borrower shall appear in person or by counsel, and each party's representative at the meeting shall be fully authorized to dispose of the matter. If the borrower is appearing without counsel, the court shall inform the borrower of the nature of the action and his or her rights and responsibilities. Where appropriate, the court may permit the borrower or a representative of the borrower or the defendant to attend the settlement conference telephonically or by video-conference.

(d) Upon the filing of the notice of default with the court, the court shall send either a copy of the notice or the borrower's name, address and telephone number (if available) to a housing counseling agency or agencies on a list designated by the department for the geographic region in which the borrower resides. Such information shall be used by the designated housing counseling agency or agencies exclusively for the purpose of making the borrower aware of housing counseling and foreclosure prevention services and options available to them.

(e) The court shall promptly send a notice to parties advising them of the time and place of the meeting, the purpose of the meeting and the requirements of this rule. The notice shall be in a form prescribed by the court, and shall advise the parties of the documents that they shall bring to the meeting.

(f) Both the lender and the borrower shall negotiate in good faith to reach a mutually agreeable resolution, including but not limited to a re-payment agreement, or any other loss mitigation, if possible. Compliance with the obligation to negotiate in good faith pursuant to this rule shall be measured by the totality of the circumstances, including but not limited to the following factors:

1. compliance with the requirements of this rule and applicable regulations pertaining to the face-to-face meeting process;

2. compliance with applicable lending and servicing laws, rules, regulations, investor directives, and loss mitigation standards or options; and

3. conduct consistent with efforts to reach a mutually agreeable resolution, including but not limited to, avoiding unreasonable delay, appearing at the meeting with authority to fully dispose of the matter, avoiding moving forward to take possession while loss mitigation appli-

1 cations and attempts are pending, and providing accurate information to  
2 the department and all parties.

3 Neither of the parties' failure to make the offer or accept the offer  
4 made by the other party is sufficient to establish a failure to negoti-  
5 ate in good faith.

6 (g) Upon a finding by the court that the plaintiff failed to negotiate  
7 in good faith pursuant to subdivision (f) of this rule, the court shall,  
8 at a minimum, toll the accumulation and collection of interest, costs,  
9 and fees during any undue delay caused by the plaintiff, and where  
10 appropriate, the court may also impose one or more of the following:

11 1. compel production of any documents requested by the court or the  
12 court's designee during the settlement conference;

13 2. impose a civil penalty payable to the state that is sufficient to  
14 deter repetition of the conduct and in an amount not to exceed twenty-  
15 five thousand dollars;

16 3. the court may award actual damages, fees, including attorney fees  
17 and expenses to the defendant as a result of plaintiff's failure to  
18 negotiate in good faith; or

19 4. award any other relief that the court deems just and proper.

20 (h) A party to a default action may not charge, impose, or otherwise  
21 require payment from the other party for any cost, including but not  
22 limited to attorneys' fees, for appearance at or participation in the  
23 settlement conference process.

24 (i) This rule shall not apply if:

25 1. the borrower dies and there is no surviving borrower, unless: (i)  
26 the last surviving borrower's spouse, if any, is a resident of the prop-  
27 erty subject to foreclosure; or (ii) the last surviving borrower's  
28 successor in interest who by bequest or through intestacy, owns, or has  
29 a claim to the ownership of the property subject to foreclosure, and who  
30 was a resident of such property at the time of death of such last  
31 surviving borrower; or the borrower does not reside in the unit after  
32 such non-occupancy by the borrower as verified by the lender and the  
33 lender has taken action as required by subdivision eight of section  
34 six-o of the banking law; or

35 2. a repayment plan or other workout consistent with the borrower's  
36 circumstances is entered into to bring the borrower's account current or  
37 otherwise cure the default thus making a meeting unnecessary.

38 § 4. The superintendent of financial services shall convene a working  
39 group comprised of industry and consumer representatives to study the  
40 availability of reverse mortgage counselors within the state of New  
41 York, and assess their experience and availability to provide counseling  
42 in connection with non-government insured reverse mortgages, and to  
43 address any other matters the superintendent deems necessary pursuant to  
44 this act. The superintendent shall report on its findings and make  
45 recommendations based upon such findings.

46 § 5. This act shall take effect on the one hundred eightieth day after  
47 it shall have become a law. Effective immediately, the addition, amend-  
48 ment and/or repeal of any rule or regulation necessary for the implemen-  
49 tation of this act on its effective date are authorized to be made and  
50 completed on or before such effective date.