

Co-op Seniors Can Now Get Reverse Mortgages

Bill Morris in Legal/Financial on December 2, 2021

New York State

Under a new law, co-op shareholders 62 and older can tap into their equity through a reverse mortgage.

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A long, hard-fought battle ended in victory for **housing cooperatives** on Wednesday when **Gov. Kathy Hochul** signed a bill that will allow co-op shareholders **62 and older** to take out **reverse mortgages** on their apartments. The law goes into effect in 180 days.

“I’m very, very, very pleased,” says **Mary Ann Rothman**, executive director of the **Council of New York Cooperatives & Condominiums**. “We’ve been working on this for probably eight years. More and more of us old folks are finding that our savings, Social Security and pensions are not going to cover our living expenses. A reverse mortgage allows an individual to tap into the equity in their home, and it will let people live out their lives in their homes. This law sustains communities and doesn’t take from the public trough.”

Rothman credits Assemblyman **Jeffrey Dinowitz**, a Bronx Democrat, with shepherding the legislation to the governor’s desk. It passed in the Assembly by a **148-1** margin and in the Senate by **62-1**.

“That tells me the vast majority of legislators understood that this will be a benefit to their constituents,” Dinowitz tells Habitat.

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Until now, reverse mortgages were available in New York State to owners of **one- to four-family homes** and **condominiums**, but not co-op apartments. Former **Gov. Andrew Cuomo** vetoed similar legislation over concerns that inadequate **consumer protections** left open the possibility that **predatory lenders** could swindle older shareholders out of their homes. “This legislation has more consumer protections than you can imagine,” Rothman says. “It’s a very carefully crafted bill.”

Adds Dinowitz, “I brought together all the **stakeholders** to build a consensus — supporters and opponents, state agencies, co-op residents. There were skeptics who felt there had been issues in the past with consumer protections. I wanted to make sure nobody’s going to get ripped off.”

To that end, the new law has numerous requirements, including: lenders must obtain a **\$100,000 surety bond** to cover claims in the event they fail to meet their obligations; the loans are subject to approval by the **co-op board**; lenders cannot use the words “government-insured” or “public service announcement” in promotional materials; lenders must maintain a minimum of **\$10 million** in capital; the interest rate on the loans can be **fixed or variable**; and borrowers must undergo **counseling** before taking out such a loan.

Reverse mortgages, also known as **reverse apartment-unit loans**, funnel money to the borrower in one of four ways: a lump-sum payment; a line of credit; “term” monthly payments for a fixed number of months; or “tenure” monthly payments until the full loan is paid out. Reverse apartment-unit loans are available only to shareholders who use the apartment as their **primary residence**.

“I’m delighted that the governor has finally signed it,” Dinowitz says. “There are a lot of co-ops in my district. I live in a co-op, and I’m thrilled.”

