
SUBSTITUTE HOUSE BILL 3319

State of Washington 60th Legislature 2008 Regular Session

By House Insurance, Financial Services & Consumer Protection
(originally sponsored by Representative Kirby)

READ FIRST TIME 02/05/08.

1 AN ACT Relating to residential mortgage loans; and adding a new
2 chapter to Title 19 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The definitions in this section apply
5 throughout this chapter unless the context clearly requires otherwise.

6 (1) "Adjustable rate mortgage" or "ARM" means a payment option ARM
7 or a hybrid ARM (commonly known as a 2/28 or 3/27 loan).

8 (2) "Borrower" means any person who consults with or retains a
9 person subject to this chapter in an effort to seek information about
10 obtaining a residential mortgage loan, regardless of whether that
11 person actually obtains such a loan.

12 (3) "Department" means the department of financial institutions.

13 (4) "Director" means the director of the department of financial
14 institutions.

15 (5) "Financial institution" means commercial banks and alien banks
16 subject to regulation under Title 30 RCW, savings banks subject to
17 regulation under Title 32 RCW, savings associations subject to
18 regulation under Title 33 RCW, credit unions subject to regulation

1 under chapter 31.12 RCW, consumer loan companies subject to regulation
2 under chapter 31.04 RCW, and mortgage brokers and lenders subject to
3 regulation under chapter 19.146 RCW.

4 (6) "Residential mortgage loan" means an extension of credit
5 secured by residential real property located in this state upon which
6 is constructed or intended to be constructed, a single-family dwelling
7 or multiple-family dwelling of four or less units. It does not include
8 a reverse mortgage or a borrower credit transaction that is secured by
9 rental property. It does not include a bridge loan. It does not
10 include loans to individuals making or acquiring a residential mortgage
11 loan solely with his or her own funds for his or her own investment.
12 For purposes of this subsection, a "bridge loan" is any temporary loan,
13 having a maturity of one year or less, for the purpose of acquisition
14 or construction of a dwelling intended to become the borrower's
15 principal dwelling.

16 NEW SECTION. **Sec. 2.** A mortgage broker, designated broker, loan
17 originator, and other persons working with or for mortgage brokers must
18 act in the utmost good faith toward the borrower, and shall not
19 compromise a borrower's right or interest. A mortgage broker,
20 designated broker, loan originator, and other persons working with or
21 for mortgage brokers shall not accept, provide, or charge any
22 undisclosed compensation.

23 NEW SECTION. **Sec. 3.** Financial institutions subject to this
24 chapter must use sound underwriting principles. The department shall
25 adopt rules to develop standards for sound underwriting principles.

26 NEW SECTION. **Sec. 4.** A financial institution may not make or
27 facilitate the origination of a residential mortgage loan that includes
28 a prepayment penalty or fee that extends beyond:

- 29 (1) Sixty days prior to the initial reset period of an adjustable
30 rate mortgage; or
31 (2) Three years after the date of the closing of the loan.

32 NEW SECTION. **Sec. 5.** Sections 1 through 4 of this act are
33 codified in chapter 19.--- RCW (the new chapter created in House Bill

1 No. 2770 or Senate Bill No. 6728.) If neither bill is enacted,
2 sections 1 through 4 of this act constitute a new chapter in Title 19
3 RCW.

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