

HOUSE BILL REPORT

HB 2690

As Reported By House Committee On: Financial Institutions & Insurance

Title: An act relating to authorizing the collection of fees and prepayment penalties for consumer loans.

Brief Description: Authorizing the collection of fees and prepayment penalties for consumer loans.

Sponsors: Representatives Pelesky, Benton, Dyer, L. Thomas, Huff, D. Sommers, Kessler and Grant.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/22/96, 1/25/96, 1/31/96 [DPS].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Smith, Vice Chairman; Wolfe, Ranking Minority Member; Scheuerman, Assistant Ranking Minority Member; Benton; Dellwo; Dyer; Grant; Huff; Keiser; Kessler; Pelesky and D. Sommers.

Staff: Charlie Gavigan (786-7340).

Background: Consumer loan companies are regulated by state law. The maximum interest rate consumer loan companies can legally charge is 25 percent per year. Other statutory provisions limit the amount of fees these companies may charge for making a loan and prohibit a prepayment penalty from being assessed when the borrower pays the loan off early.

Summary of Substitute Bill: The loan origination fee limitation is removed for real estate loans made by consumer loan companies.

Substitute Bill Compared to Original Bill: The substitute bill eliminates the authorization to charge prepayment penalties in the original bill, and removes the loan origination fee limitation for real estate loans.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: The authority for consumer loan companies to charge prepayment penalties is necessary to level the playing field regarding loans secured by real estate.

Testimony Against: Prepayment penalties on second mortgages often preclude a borrower from refinancing the first mortgage when rates drop because the cost of the prepayment penalty is prohibitive.

Testified: Mark Thompson, Department of Financial Institutions; Lew McMurrin, Household Financial Group (supports); Susie Tracey, Washington State Financial Services Association (supports); and Ken Lindberg, Lenders Mortgage (opposes).