
HOUSE BILL 1188

State of Washington

54th Legislature

1995 Regular Session

By Representatives L. Thomas, Dyer, Grant, Benton, Campbell, Costa, Pelesky, Huff and Mielke

Read first time 01/17/95. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to loan-to-value ratios and examination periods;
2 and amending RCW 31.04.125 and 31.04.145.

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

4 **Sec. 1.** RCW 31.04.125 and 1991 c 208 s 13 are each amended to read
5 as follows:

6 (1) No licensee may make a loan with a repayment period greater
7 than six years and fifteen days after the loan origination date except
8 for open-end loans or loans secured by real estate or personal property
9 used as a residence.

10 (2) No licensee may make a loan using any method of calculating
11 interest other than the simple interest method; except that the add-on
12 method of calculating interest may be used for a loan not secured by
13 real property or personal property used as a residence when the
14 repayment period does not exceed three years and fifteen days after the
15 loan origination date.

16 ~~(3) ((No licensee may make a loan secured by real estate in an~~
17 ~~amount in excess of ninety percent of the value of such real estate and~~
18 ~~improvements, including all prior liens against the property.~~

1 ~~(4)~~) No licensee may make a loan using the add-on method to
2 calculate interest that does not provide for a refund to the borrower
3 or a credit to the borrower's account of any unearned interest when the
4 loan is repaid before the original maturity date in full by cash, by a
5 new loan, by refinancing, or otherwise before the final due date. The
6 refund must be calculated using the actuarial method, unless a sum
7 equal to two or more installments has been prepaid and the account is
8 not in arrears and continues to be paid ahead, in which case the
9 interest on the account must be recalculated by the simple interest
10 method with the refund of unearned interest made as if the loan had
11 been made using the simple interest method. When computing an
12 actuarial refund, the lender may round the annual rate used to the
13 nearest quarter of one percent.

14 In computing a required refund of unearned interest, a prepayment
15 made on or before the fifteenth day after the scheduled payment date is
16 deemed to have been made on the payment date preceding the prepayment.
17 In the case of prepayment before the first installment due date, the
18 company may retain an amount not to exceed one-thirtieth of the first
19 month's interest charge for each day between the origination date of
20 the loan and the actual date of prepayment.

21 ~~((+5))~~ (4) No licensee may provide credit life or disability
22 insurance in an amount greater than that required to pay off the total
23 balance owing on the date of the borrower's death net of refunds in the
24 case of credit life insurance, or all minimum payments that become due
25 on the loan during the covered period of disability in the case of
26 credit disability insurance. The lender may not require any such
27 insurance.

28 ~~((+6))~~ (5) Except in the case of loans by mail, where the borrower
29 has sufficient time to review papers before returning them, no licensee
30 may prepare loan papers in advance of the loan closing without having
31 reviewed with the borrower the terms and conditions of the loan to
32 include the type and amount of insurance, if any, requested by the
33 borrower.

34 **Sec. 2.** RCW 31.04.145 and 1994 c 92 s 169 are each amended to read
35 as follows:

36 For the purpose of discovering violations of this chapter or
37 securing information lawfully required under this chapter, the director
38 may at any time, either personally or by a designee, investigate the

1 loans and business and examine, wherever located, the books, accounts,
2 records, and files used in the business of every licensee and of every
3 person who is engaged in the business described in RCW 31.04.035,
4 whether the person acts or claims to act as principal or agent, or
5 under or without the authority of this chapter. For that purpose the
6 director and designated representative shall have free access to the
7 offices and places of business, books, accounts, papers, records,
8 files, safes, and vaults of all such persons. The director and persons
9 designated by the director may require the attendance of and examine
10 under oath all persons whose testimony may be required about the loans
11 or the business or the subject matter of any investigation,
12 examination, or hearing. The director shall make such an examination
13 of the affairs, business, office, and records of each licensee ((at
14 ~~least once each eighteen months~~)) as determined by rule. The licensee
15 so examined shall pay to the director the actual cost of examining and
16 supervising each licensed place of business.

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