

SENATE BILL REPORT

EHB 1411

As Reported By Senate Committee On:
Financial Institutions, Insurance & Housing, March 27, 1997

Title: An act relating to authorizing the collection of fees in connection with making consumer loans.

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

Sponsors: Representatives L. Thomas, Grant, Zellinsky, DeBolt and Benson.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 3/20/97, 3/27/97 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: Do pass.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Kline and Prentice.

Staff: Catherine Mele (786-7470)

Background: Consumer loan companies are regulated by the Department of Financial Institutions. The maximum interest rate consumer loan companies can legally charge is 25 percent per year. The state statute also limits the amount of fees consumer loan companies may charge for originating a loan. The loan origination fee cannot exceed 4 percent of the first \$20,000 and 2 percent of the amount loaned above \$20,000. Other fees are allowed for actual costs for title insurance, appraisals, and the recording, reconveying, and releasing of security-related documents. These fees cannot be collected, except the appraisal fee, unless the loan is made.

Summary of Bill: The loan origination fee limitation is removed for real estate loans made by consumer loan companies until June 30, 2002; after that date, the previous limitation of 4 percent of the first \$20,000 and 2 percent thereafter is reinstated. The Department of Financial Institutions is to monitor the impact of deregulating the origination fees for real estate loans made by consumer loan companies and report to the Legislature by October 1, 2001.

Fees are allowed to cover actual costs for any third party providing goods or services in connection with the preparation of the borrower's loan. Provisions specifically allowing fees for the recording, reconveying, and releasing of security-related documents are removed.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: For first and second mortgage loans, we are competing for the same customers as other financial institutions. We compete in the same market, but do not have the same types of lending privileges. Traditional financial institutions have the flexibility to arrange with the borrower to offer lower interest rates and charge higher points on a particular loan. This bill would give consumer loan companies the same flexibility. We support the House amendments that require the Department of Financial Institutions to study this issue and report to the Legislature on October 1, 2001.

Testimony Against: None.

Testified: Susie Tracy, WA State Financial Services Association (pro); David Emerick, Household (pro); Jerry Gordon, Beneficial Mgmt. Corp. (pro).