

SENATE BILL REPORT

SHB 2321

As Reported By Senate Committee On:
Financial Institutions, Insurance & Housing, February 19, 1998

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

Brief Description: Allowing consumer loan companies to charge borrowers fees for services provided by third parties.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives L. Thomas, Smith and Wolfe).

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 2/18/98, 2/19/98 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: Do pass.

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

Staff: David Cheal (786-7576)

Background: Consumer loan companies are regulated by state law. They can charge interest rates up to 25 percent. Consumer loan companies can charge the borrower for fees they incur for title insurance, appraisals, recording, reconveyance, and releasing as long as the fees were incurred in connection with preparing the borrower's loan. If the consumer loan company does not make the loan, it can only charge the borrower for the appraisal fee.

Summary of Bill: The restriction on the types of expenses the consumer loan company may recover is removed. Instead of being limited to fees incurred for title insurance, appraisals, recording, reconveying and releasing, the consumer loan company may now charge the borrower for any fees it incurs from third parties in connection with preparing the borrower's loan. For purposes of the act, third party- does not include the licensee (consumer loan company) making the loan. The part of the statute that limits the consumer loan company to collecting only the appraisal fee if no loan is made is not amended.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Washington consumer loan companies would have parity with loan companies in other states, and with other lenders who don't have these restrictions.

Testimony Against: None.

Testified: PRO: Susie Tracy, Washington State Financial Services Association.