

SENATE BILL REPORT

SB 6167

As Reported By Senate Committee On:
Financial Institutions, Housing & Consumer Protection, January 19, 2006

Title: An act relating to the extension of the mortgage lending fraud prosecution account.

Brief Description: Extending the mortgage lending fraud prosecution account.

Sponsors: Senators Fairley, Benton, Keiser, Franklin, Prentice, Benson, Brandland, Berkey, Schmidt and Kline; by request of Department of Financial Institutions.

Brief History:

Committee Activity: Financial Institutions, Housing & Consumer Protection: 1/18/06, 1/19/06[DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: Do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benton, Ranking Minority Member; Benson, Brandland, Finkbeiner, Franklin, Keiser and Spanel.

Staff: Jennifer Arnold (786-7471)

Background: The Mortgage Lending Fraud Prosecution Account (MLFPA account) was created by the Legislature in 2003. Account funding is dedicated to the prosecution of consumer fraud in the mortgage lending process and is to be used to enhance the law enforcement capabilities at both the state and local level.

The account is administered by the Department of Financial Institutions (DFI). Funds for the account are generated by a \$1 surcharge assessed by the county auditor on the recording of a deed of trust. In administering collection of the surcharge, the county auditor may retain up to five percent of the funds collected, the remainder must be transferred to the State Treasurer for deposit in the MLFPA account. Account distributions are authorized by the DFI, in consultation with the Attorney General and local prosecutors.

The DFI must make an annual report to the Legislature, which outlines MLFPA account activity.

The statutory authority for the account's creation, funding, and administration expires on June 30, 2006.

Summary of Bill: The expiration date of the MLFPA account, along with the associated recording document surcharge and legislative reports, is delayed until June 30, 2011.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: The positive effects that have resulted from the creation and funding of this account since 2003 have been immense. The \$1 surcharge is a very nominal fee to pay for the public benefits that result from removing fraudulent players from the mortgage broker process, players who otherwise drive up home prices for everyone. The mortgage brokers, appraisal industry, and prosecuting attorneys strongly endorse this bill because it creates a safe playing field and keeps organized crime out of mortgage lending. Further, the bill allows prosecuting attorneys and the DFI to coordinate their efforts to more efficiently use their resources to address these types of fraud cases.

Testimony Against: None.

Who Testified: PRO: Chuck Cross, Department of Financial Institutions; Scott Blunien, Attorney General's Office; Patrick Sainsbury, King County Prosecuting Attorney's Office, Spokane County Prosecuting Attorneys Office, Washington Association of Prosecuting Attorneys; Bob Mitchell, Washington Realtors; Adam Stein, Washington Association of Mortgage Brokers; Richard Hagar, American Home Appraisers; Jim Irish, Appraisers' Coalition of Washington, Seattle Chapter of the Appraisal Institute.