
**Insurance, Financial Services &
Consumer Protection Committee**

SB 6471

Brief Description: Protecting consumers by regulating loans under the consumer loan act and mortgage broker practices act.

Sponsors: Senators Weinstein, Kauffman, Tom, Fairley, McAuliffe, Kohl-Welles, Keiser and Kline.

Brief Summary of Bill

- Requires mortgage brokers who make mortgage loans to be licensed under the Consumer Loan Act (CLA).
- Expands the application of the CLA to loans which do not exceed the rate established by the usury law.

Hearing Date: 2/26/08

Staff: Alison Hellberg (786-7152).

Background:

The Consumer Loan Act (CLA) authorizes the Department of Financial Institutions to regulate consumer loan companies doing business in Washington. Consumer loan companies include mortgage lenders and consumer finance companies. The CLA limits the rates and fees lenders may charge on loans, restricts certain loan provisions such as prepayment penalties, requires that lenders fully disclose the terms of loans, and prohibits lenders from engaging in unfair and deceptive acts and practices.

The Mortgage Broker Practices Act (MBPA) establishes a regulatory and licensing structure for mortgage brokers. Mortgage brokers can either make a residential mortgage loan or assist a person in obtaining a residential mortgage loan. The MBPA requires that mortgage brokers fully disclose the terms of loans, ensures that mortgage brokers place fees collected for third-party

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service providers into bank trust accounts, and prohibits mortgage brokers from engaging in unfair and deceptive acts and practices.

Summary of Bill:

Mortgage lenders may no longer make mortgage loans with only a Mortgage Broker license. The CLA applies to all loans made at any interest rate, not just those loans which exceed the rate established by the usury law (currently 12 percent). Retail installment contracts are exempt from the CLA.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.