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SENATE BILL 5829

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State of Washington                      53rd Legislature                      1993 Regular Session

By Senators Moore and Prince

Read first time 02/16/93. Referred to Committee on Labor & Commerce.

1            AN ACT Relating to mortgage brokers, associate mortgage brokers,  
2 and loan originators; amending RCW 19.146.005, 19.146.010, 19.146.020,  
3 19.146.030, 19.146.070, and 19.146.110; adding new sections to chapter  
4 19.146 RCW; creating a new section; prescribing penalties; providing an  
5 effective date; and providing an expiration date.

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

7            **Sec. 1.** RCW 19.146.005 and 1987 c 391 s 1 are each amended to read  
8 as follows:

9            The legislature finds and declares that the brokering of  
10 residential real estate loans substantially affects the public  
11 interest. The practices of mortgage brokers have had significant  
12 impact on the citizens of the state and the banking and real estate  
13 industries. It is the intent of the legislature to establish a  
14 temporary state system of licensure in addition to rules of practice  
15 and conduct of mortgage brokers to promote honesty and fair dealing  
16 with citizens and to preserve public confidence in the lending and real  
17 estate community.

1       **Sec. 2.** RCW 19.146.010 and 1987 c 391 s 3 are each amended to read  
2 as follows:

3       Unless the context clearly requires otherwise, the definitions in  
4 this section apply throughout this chapter.

5       (1) "Affiliate" means any person who directly or indirectly through  
6 one or more intermediaries, controls, or is controlled by, or is under  
7 common control with another person.

8       (2) "Associate mortgage broker" means a person who is licensed as  
9 a mortgage broker under this chapter, works with a licensed mortgage  
10 broker as a branch manager of a branch office of that licensed mortgage  
11 broker, and whose license states that he or she is associated with that  
12 broker. An associate mortgage broker must comply with all the  
13 requirements imposed upon mortgage brokers licensed under this chapter.

14       (3) "Department" means the department of licensing.

15       (4) "Director" means the director of licensing.

16       (5) "Loan originator" means a natural person employed, either  
17 directly or indirectly, by a licensed mortgage broker, or a person who  
18 represents a licensed mortgage broker, in the performance of any acts  
19 specified in subsection (7) of this section.

20       (6) "Lock-in agreement" means any written agreement with a borrower  
21 made by a mortgage broker or loan originator, in which the mortgage  
22 broker agrees that, for a period of time, a specific interest rate or  
23 other financing terms will be the rate or terms at which it will make  
24 a loan available to that borrower.

25       (7) "Mortgage broker" means ((every)) any person who for  
26 compensation or gain, or in the expectation of compensation ((either  
27 directly or indirectly makes, negotiates, or offers to make or  
28 negotiate a residential mortgage loan)) or gain, directly or indirectly  
29 negotiates, places, assists in placement, finds, or offers to  
30 negotiate, place, assist in placement, or find residential mortgage  
31 loans for others.

32       ((+3)) (8) "Person" means a natural person, corporation, company,  
33 partnership, or association.

34       ((+4)) (9) "Residential mortgage loan" means any loan primarily  
35 for personal, family, or household use secured by a mortgage or deed of  
36 trust on residential real estate upon which is constructed or intended  
37 to be constructed a single family dwelling or multiple family dwelling  
38 of four or less units.

1       (~~(5)~~) (10) "Third-party provider" means any person other than a  
2 mortgage broker or lender who provides goods or services to the  
3 mortgage broker in connection with the preparation of the borrower's  
4 loan and includes, but is not limited to, credit reporting agencies,  
5 title companies, appraisers, structural and pest inspectors, or escrow  
6 companies.

7       **Sec. 3.** RCW 19.146.020 and 1987 c 391 s 4 are each amended to read  
8 as follows:

9       (1) Except as provided under subsection (2) of this section, the  
10 following are exempt from all provisions of this chapter:

11       (~~(1)~~) (a) Any person doing business under the laws of this state  
12 or the United States relating to commercial banks, bank holding  
13 companies, (~~mutual~~) savings banks, trust companies, savings and loan  
14 associations, credit unions, consumer (~~finance companies, industrial~~)  
15 loan companies, insurance companies, or real estate investment trusts  
16 as defined in 26 U.S.C. Sec. 856 and the affiliates, subsidiaries, and  
17 service corporations thereof;

18       (~~(2)~~) (b) An attorney licensed to practice law in this state who  
19 is not principally engaged in the business of negotiating residential  
20 mortgage loans when such attorney renders services in the course of his  
21 or her practice as an attorney;

22       (~~(3)~~) (c) Any person doing any act under order of any court;

23       (~~(4)~~) (d) Any person making or acquiring a residential mortgage  
24 loan solely with his or her own funds for his or her own investment  
25 without intending to resell the residential mortgage loans;

26       (~~(5)~~) (e) A real estate broker or salesperson licensed by the  
27 state who obtains financing for a real estate transaction involving a  
28 bona fide sale of real estate in the performance of his or her duties  
29 as a real estate broker and who receives only the customary real estate  
30 broker's or salesperson's commission in connection with the  
31 transaction;

32       (~~(6)~~) (f) Any mortgage broker approved and subject to auditing by  
33 the federal national mortgage association, the government national  
34 mortgage association, or the federal home loan mortgage corporation;

35       (~~(7)~~) (g) Any mortgage broker approved by the United States  
36 secretary of housing and urban development for participation in any

1 mortgage insurance program under the National Housing Act, 12 U.S.C.  
2 Sec. 1701, as now or hereafter amended; and

3 ~~((+8+))~~ (h) The United States of America, the state of Washington,  
4 any other state, and any Washington city, county, or other political  
5 subdivision, and any agency, division, or corporate instrumentality of  
6 any of the entities in this subsection (1)(h).

7 (2) Those persons otherwise exempt under subsection (1) (f) and (g)  
8 of this section must comply with section 4 of this act.

9 NEW SECTION. Sec. 4. It is unlawful for a mortgage broker or loan  
10 originator licensed under this chapter, or a mortgage broker otherwise  
11 exempted from this chapter under RCW 19.146.020(1) (f) or (g) in  
12 connection with a residential mortgage loan to:

13 (1) Directly or indirectly employ any scheme, device, or artifice  
14 to defraud or mislead borrowers or lenders;

15 (2) Engage in any conduct that operates as a fraud upon any person;

16 (3) Obtain property by fraud or misrepresentation;

17 (4) Solicit or enter into a contract with a borrower that provides  
18 in substance that the mortgage broker may earn a fee or commission  
19 through the mortgage broker's "best efforts" to obtain a loan even  
20 through no loan is actually obtained for the borrower;

21 (5) Solicit, advertise, or enter into a contract for specific  
22 interest rates, points, or other financing terms unless the terms are  
23 actually available at the time of soliciting, advertising, or  
24 contracting from a lender with whom the mortgage broker maintains a  
25 written correspondent or loan brokerage agreement under RCW 19.146.040;

26 (6) Fail to make disclosures to loan applicants and  
27 noninstitutional investors as required by RCW 19.146.030 and any other  
28 applicable state or federal law;

29 (7) Make, in any manner, any false or deceptive statement or  
30 representation with regard to the rates, points, or other financing  
31 terms or conditions for a residential mortgage loan;

32 (8) Make any false statement in connection with any reports filed  
33 by a licensee, or in connection with any examination of the licensee's  
34 business;

35 (9) Make any payment, directly or indirectly, to any fee appraiser  
36 third party of a property, for the purposes of influencing the  
37 independent judgment of the appraiser with respect to the value of the  
38 property;

1 (10) Fail to include the words "licensed mortgage broker" in all  
2 advertising for the broker's services that are directed at the general  
3 public after the effective date of the rules adopted under this  
4 chapter;

5 (11) Pay any commission, share, split, or compensation in  
6 connection with mortgage brokerage services to any person not licensed  
7 under this chapter, unless the person is exempt under RCW 19.146.020 or  
8 such commission, share, split, or compensation is payment to a real  
9 estate broker or real estate salesperson under the federal real estate  
10 settlement procedures act or regulations adopted thereunder; or

11 (12) Fail to comply with the requirements of the truth-in-lending  
12 act, 15 U.S.C. Sec. 1601 and Regulation Z, 12 C.F.R. Sec. 226, as now  
13 or hereafter amended, in all advertising of residential mortgage loans.

14 NEW SECTION. **Sec. 5.** (1) A person may not engage in the business  
15 of a mortgage broker or act as a loan originator without first  
16 obtaining and maintaining a license under this chapter.

17 (2) A person may not bring a suit or action for the collection of  
18 compensation as a mortgage broker or loan originator unless the  
19 plaintiff alleges and proves that he or she was a duly licensed  
20 mortgage broker or loan originator, or exempt from the license  
21 requirement of this chapter, at the time of offering to perform or  
22 performing any such an act or service regulated by this chapter. This  
23 subsection does not apply to suits or actions for the collection or  
24 compensation for services performed prior to the effective date of this  
25 section.

26 NEW SECTION. **Sec. 6.** (1) Application for a mortgage broker,  
27 associate mortgage broker, or loan originator license under this  
28 chapter shall be in writing and in the form prescribed by the director.  
29 Unless waived by the director, the application shall contain at least  
30 the following information:

31 (a) The name, address, date of birth, and social security number of  
32 the applicant, and any other names, dates of birth, or social security  
33 numbers previously used by the applicant;

34 (b) If the applicant is a partnership or association, the name,  
35 address, date of birth, and social security number of each general  
36 partner or principal of the association, and any other names, dates of  
37 birth, or social security numbers previously used by the members;

1 (c) If the applicant is a corporation, the name, address, date of  
2 birth, and social security number of each officer, director, registered  
3 agent, and each principal stockholder, and any other names, dates of  
4 birth, or social security numbers previously used by the officers,  
5 directors, registered agents, and principal stockholders;

6 (d) The street address, county, and municipality where the  
7 principal business office is to be located;

8 (e) Submission of a complete set of fingerprints taken by an  
9 authorized law enforcement officer; and

10 (f) Such other information regarding the applicant's background,  
11 financial responsibility, experience, character, and general fitness as  
12 the director may require by rule.

13 (2) At the time of filing an application for a license under this  
14 chapter, each applicant shall pay to the director the appropriate  
15 license fee in an amount determined by rule of the director to be  
16 sufficient to cover the department's costs in administering this  
17 chapter. The director shall deposit the moneys in the mortgage broker  
18 fund created under section 19 of this act.

19 (3) Each applicant for a mortgage broker's license shall file and  
20 maintain a surety bond, in an amount of forty thousand dollars or such  
21 lower amount the director deems adequate to protect the public  
22 interest, executed by the applicant as obligor and by a surety company  
23 authorized to do a surety business in this state as surety, whose  
24 liability as surety shall not exceed the penal sum in the aggregate.  
25 The bond shall run to the state of Washington as obligee for the use  
26 and benefit of the state and of any person or persons who may have a  
27 cause of action against the obligor under this chapter. The bond shall  
28 be conditioned that the obligor as licensee will faithfully conform to  
29 and abide by this chapter and all rules adopted under this chapter.  
30 The bond must pay to the state and any person or persons having a cause  
31 of action against the obligor all moneys that may become due and owing  
32 to the state and those persons under and by virtue of this chapter. In  
33 lieu of a surety bond, the applicant may, upon approval by the  
34 director, file with the director a certificate of deposit, an  
35 irrevocable letter of credit, or such other instrument as approved by  
36 the director by rule, drawn in favor of the director for an amount  
37 equal to the required bond.

1        NEW SECTION.    **Sec. 7.**    (1) The director shall issue and deliver a  
2 loan originator license to an applicant if, after investigation, the  
3 director makes the following findings:

4        (a) The applicant has paid the required license fees;

5        (b) The applicant has complied with section 6 of this act;

6        (c) The applicant has not had a license issued under this chapter  
7 or any similar state statute suspended or revoked within five years of  
8 the filing of the present application;

9        (d) The applicant has not been convicted of a felony within seven  
10 years of the filing of the present application; and

11       (e) The applicant has demonstrated financial responsibility,  
12 experience, character, and general fitness such as to command the  
13 confidence of the community and to warrant a belief that the business  
14 will be operated honestly, fairly, and efficiently within the purposes  
15 of this chapter.

16       (2) The director shall issue and deliver a mortgage brokers or  
17 associate mortgage brokers license to an applicant if, after  
18 investigation, the director makes the following findings:

19       (a) The applicant satisfies the requirements of subsection (1) of  
20 this section;

21       (b) The applicant has filed and maintained the surety bond or  
22 approved alternative under section 6(3) of this act; and

23       (c) The applicant has at least two years of experience in the  
24 residential mortgage loan industry.

25       (3) If the supervisor does not find the conditions of subsection  
26 (1) of this section have been met, the supervisor shall not issue the  
27 license. The supervisor shall notify the applicant of the denial and  
28 return to the applicant the bond or approved alternative and any  
29 remaining portion of the license fee that exceeds the departments  
30 actual cost to investigate the license.

31       (4) A license issued pursuant to this chapter is valid from the  
32 date of issuance.

33       (5) A licensee may surrender a license by delivering to the  
34 director written notice of surrender, but the surrender does not affect  
35 the licensee's civil or criminal liability arising from acts or  
36 omissions occurring before such surrender.

37       NEW SECTION.    **Sec. 8.**    (1) The director shall enforce all laws and  
38 rules relating to the licensing of mortgage brokers, associate mortgage

1 brokers, and loan originators, grant or deny licenses to mortgage  
2 brokers, associate mortgage brokers, and loan originators, and hold  
3 hearings. The director may impose any one or more of the following  
4 sanctions: Suspend or revoke licenses, deny applications for licenses,  
5 or fine violators under this chapter. In addition, the director may  
6 issue an order directing a licensee to cease and desist from conducting  
7 business in a manner that is injurious to the public or violates any  
8 provision of this chapter.

9 (2) The director may take those actions specified in subsection (1)  
10 of this section if the director finds any of the following:

11 (a) The licensee has failed to pay a fee due the state of  
12 Washington, to maintain in effect the bond or approved alternative  
13 required under this chapter, or to comply with any specific order or  
14 demand of the director lawfully made and directed to the licensee in  
15 accordance with this chapter; or

16 (b) The licensee has violated any provision of this chapter or a  
17 rule adopted under this chapter; or

18 (c) The licensee made false statements on the application or  
19 omitted material information that, if known, would have allowed the  
20 director to deny the application for the original license.

21 (3) The director shall establish by rule standards for licensure of  
22 applicants licensed in other jurisdictions.

23 NEW SECTION. **Sec. 9.** The director may issue rules to govern the  
24 activities of licensed mortgage brokers, licensed associate mortgage  
25 brokers, and loan originators, consistent with this chapter.

26 NEW SECTION. **Sec. 10.** The proceedings for denying license  
27 applications, issuing cease and desist orders, and suspending or  
28 revoking licenses issued pursuant to this chapter and any appeal  
29 therefrom or review thereof shall be governed by the provisions of the  
30 administrative procedure act, chapter 34.05 RCW.

31 NEW SECTION. **Sec. 11.** For the purposes of investigating  
32 complaints arising under this chapter, the director may at any time,  
33 either personally or by a designee, examine the business, including but  
34 not limited to the books, accounts, records, and files used therein, of  
35 every licensee and of every person engaged in the business of mortgage  
36 brokering, whether such a person shall act or claim to act under or

1 without the authority of this chapter. For that purpose the director  
2 and designated representatives shall have free access to the offices  
3 and places of business, books, accounts, papers, records, files, safes,  
4 and vaults of all such persons. The director or designated person may  
5 require the attendance of and examine under oath all persons whose  
6 testimony may be required about the loans or the business or subject  
7 matter of any such investigation.

8 **Sec. 12.** RCW 19.146.030 and 1987 c 391 s 5 are each amended to  
9 read as follows:

10 (1) Upon receipt of a loan application and before the receipt of  
11 any moneys from a borrower, a mortgage broker shall provide to each  
12 borrower a written notice listing all of the lenders with whom it  
13 maintains a written correspondent or loan brokerage agreement and make  
14 a full written disclosure to each borrower containing an itemization  
15 and explanation of all fees and costs that the borrower is required to  
16 pay in connection with obtaining a residential mortgage loan. A good  
17 faith estimate of a fee or cost shall be provided if the exact amount  
18 of the fee or cost is not determinable.

19 (2) The written disclosure shall contain the following information:

20 ((+1)) (a) The annual percentage rate, finance charge, amount  
21 financed, total amount of all payments, number of payments, amount of  
22 each payment, amount of points or prepaid interest and the conditions  
23 and terms under which any loan terms may change between the time of  
24 disclosure and closing of the loan; and if a variable rate, the  
25 circumstances under which the rate may increase, any limitation on the  
26 increase, the effect of an increase, and an example of the payment  
27 terms resulting from an increase. Disclosure in compliance with the  
28 requirements of the Truth-in-Lending Act, 15 U.S.C. Sec. 1601 and  
29 Regulation Z, 12 C.F.R. Sec. 226, as now or hereafter amended, shall be  
30 deemed to comply with the disclosure requirements of this subsection;

31 ((+2)) (b) The itemized costs of any credit report, appraisal,  
32 title report, title insurance policy, mortgage insurance, escrow fee,  
33 property tax, insurance, structural or pest inspection, and any other  
34 third-party provider's costs associated with the residential mortgage  
35 loan. Disclosure through good faith estimates of settlement services  
36 and special information booklets in compliance with the requirements of  
37 the Real Estate Settlement Procedures Act, 12 U.S.C. Sec. 2601, and  
38 Regulation X, 24 C.F.R. Sec. 3500, as now or hereafter amended, shall

1 be deemed to comply with the disclosure requirements of this  
2 subsection;

3 ~~((+3))~~ (c) If applicable, the cost, terms, duration, and  
4 conditions of ~~((an agreement to lock in or commit the mortgage broker  
5 or lender to a specific interest rate or other financing term for any  
6 period of time up to and including the time the loan is closed))~~ a  
7 lock-in agreement and whether a lock-in agreement has been entered;

8 ~~((+4))~~ (d) A statement that if the borrower is unable to obtain a  
9 loan for any reason, the mortgage broker must, within five days of a  
10 written request by the borrower, give copies of any appraisal, title  
11 report, or credit report paid for by the borrower to the borrower, and  
12 transmit the appraisal, title report, or credit report to any other  
13 mortgage broker or lender to whom the borrower directs the documents to  
14 be sent;

15 ~~((+5))~~ (e) The name of the lender and the nature of the business  
16 relationship between the lender providing the residential mortgage loan  
17 and the mortgage broker, if any: PROVIDED, That this disclosure may be  
18 made at any time up to the time the borrower accepts the lender's  
19 commitment; and

20 ~~((+6))~~ (f) A statement providing that moneys paid by the borrower  
21 to the mortgage broker for third-party provider services are held in a  
22 trust account and any moneys remaining after payment to third-party  
23 providers will be refunded.

24 A violation of the Truth-in-Lending Act, Regulation Z, the Real  
25 Estate Settlement Procedures Act, and Regulation X is a violation of  
26 this section for purposes of this chapter.

27 **Sec. 13.** RCW 19.146.070 and 1987 c 391 s 9 are each amended to  
28 read as follows:

29 (1) Except as otherwise permitted by this section, a mortgage  
30 broker shall not receive a fee, commission, or compensation of any kind  
31 in connection with the preparation, negotiation, and brokering of a  
32 residential mortgage loan unless a borrower actually obtains a loan  
33 from a lender on the terms and conditions agreed upon by the borrower  
34 and mortgage broker.

35 (2) A mortgage broker may:

36 (a) If the mortgage broker has obtained for the borrower a written  
37 commitment from a lender for a loan on the terms and conditions agreed  
38 upon by the borrower and the mortgage broker, and the borrower fails to

1 close on the loan through no fault of the mortgage broker, charge a fee  
2 not to exceed three hundred dollars for services rendered, preparation  
3 of documents, or transfer of documents in the borrower's file which  
4 were prepared or paid for by the borrower if the fee is not otherwise  
5 prohibited by the Truth-in-Lending Act, 15 U.S.C. Sec. 1601, and  
6 Regulation Z, 12 C.F.R. Sec. 226, as now or hereafter amended; or

7 (b) Solicit or receive fees for third party provider goods or  
8 services in advance. Fees for any goods or services not provided must  
9 be refunded to the borrower and the mortgage broker may not charge more  
10 for the goods and services than the actual costs of the goods or  
11 services charged by the third party provider.

12 ~~((3) A mortgage broker may not:~~

13 ~~(a) Solicit or enter into a contract with a borrower that provides~~  
14 ~~in substance that the mortgage broker may earn a fee or commission~~  
15 ~~through the mortgage broker's "best efforts" to obtain a loan even~~  
16 ~~though no loan is actually obtained for the borrower; or~~

17 ~~(b) Solicit, advertise, or enter into a contract for specific~~  
18 ~~interest rates, points, or other financing terms unless the terms are~~  
19 ~~actually available at the time of soliciting, advertising, or~~  
20 ~~contracting.))~~

21 NEW SECTION. **Sec. 14.** (1) Any person injured by a violation of  
22 this chapter may bring an action against the surety bond of the  
23 licensed mortgage broker.

24 (2) Any person injured by a violation of this chapter may bring a  
25 civil action in a court of competent jurisdiction for recovery of  
26 damages. Judgment shall be entered for actual damages and in no case  
27 shall be less than the amount paid by the borrower to the licensed  
28 mortgage broker plus reasonable attorneys' fees and costs.

29 (3) The remedies provided under this section are cumulative and  
30 nonexclusive and do not affect any other remedy available at law.

31 NEW SECTION. **Sec. 15.** Responsibility for any loan originator in  
32 conduct covered by this chapter shall rest with the licensed mortgage  
33 broker to which such licensees shall be licensed.

34 In addition, a licensed associate mortgage broker at a branch  
35 office shall bear responsibility for loan originators operating at that  
36 branch office.

1        NEW SECTION.    **Sec. 16.** No license issued under the provisions of  
2 this chapter shall authorize any person other than the person to whom  
3 it is issued to do any act by virtue thereof nor to operate in any  
4 other manner than under his or her own name except:

5        (1) A licensed mortgage broker may operate and/or advertise under  
6 a name other than the one under which the license is issued by  
7 obtaining the written consent of the director to do so; and

8        (2) A broker may establish one or more branch offices under a name  
9 or names different from that of the main office if the name or names  
10 are approved by the director, so long as each branch office is clearly  
11 identified as a branch or division of the main office. No broker may  
12 establish branch offices under more than three names. Both the name of  
13 the branch office and of the main office must clearly appear on the  
14 sign identifying the office, if any, and in any advertisement or on any  
15 letterhead of any stationery or any forms, or signs used by the  
16 mortgage firm on which either the name of the main or branch offices  
17 appears.

18        NEW SECTION.    **Sec. 17.** Every licensed mortgage broker must have  
19 and maintain an office in this state accessible to the public which  
20 shall serve as his or her office for the transaction of business. Any  
21 office so established must comply with the zoning requirements of city  
22 or county ordinances and the broker's license must be prominently  
23 displayed therein.

24        NEW SECTION.    **Sec. 18.** A licensed mortgage broker may apply to the  
25 director for authority to establish one or more branch offices under  
26 the same name as the main office upon the payment of a fee as  
27 prescribed by the director by rule. The director shall issue a  
28 duplicate license for each of the branch offices showing the location  
29 of the main office and the particular branch. Each duplicate license  
30 shall be prominently displayed in the office for which it is issued.  
31 Each branch office shall be required to have a branch manager who shall  
32 be a licensed associate mortgage broker authorized by the mortgage  
33 broker to perform the duties of a branch manager.

34        NEW SECTION.    **Sec. 19.** All fees paid under the provisions of this  
35 chapter shall be placed in the mortgage brokers' licensing account  
36 hereby created in the custody of the state treasury. All money derived

1 from fees imposed under this chapter shall be deposited in the account.  
2 Expenditures from the account may be used solely for department costs  
3 and for the benefit of licensees under this chapter. Only the director  
4 of licensing or the director's designee may authorize expenditures from  
5 the account. The account is subject to allotment procedures under  
6 chapter 43.88 RCW, but no appropriation is required for expenditures.

7 **Sec. 20.** RCW 19.146.110 and 1987 c 391 s 13 are each amended to  
8 read as follows:

9 Any person who violates any provision of (~~RCW 19.146.005 through~~  
10 ~~19.146.040 or 19.146.060 through 19.146.100~~) this chapter other than  
11 RCW 19.146.050 or any rule or order of the director shall be guilty of  
12 a misdemeanor punishable under chapter 9A.20 RCW. Any person who  
13 violates RCW 19.146.050 shall be guilty of a class C felony under  
14 chapter 9A.20 RCW.

15 NEW SECTION. **Sec. 21.** (1) The joint select committee on mortgage  
16 lending is created. Membership of the committee shall consist of four  
17 members from the senate, two from each caucus, appointed by the  
18 president of the senate, and four members from the house of  
19 representatives, two from each caucus, appointed by the speaker of the  
20 house of representatives.

21 (2) The committee shall review state and federal statutes governing  
22 mortgage brokers and mortgage bankers and shall prepare a report:

23 (a) Summarizing state and federal statutes governing mortgage  
24 brokers and mortgage bankers;

25 (b) Identifying the type and magnitude of complaints arising with  
26 regard to the practices of mortgage brokers and mortgage bankers  
27 operating within this state;

28 (c) Reviewing the detrimental and beneficial effects of state  
29 licensure of mortgage brokers and mortgage bankers; and

30 (d) Containing any recommended legislation that adopts an ongoing  
31 state system of licensure for all mortgage brokers or creates a state  
32 licensure program for mortgage bankers.

33 (3) Any proposed legislation that contains any licensure  
34 recommendations should discuss the following issues:

35 (a) Minimum experience, training, and educational requirements for  
36 licensees;

1 (b) Sufficient surety bonding levels to protect residents of this  
2 state; and

3 (c) Proper location with state government to delegate state  
4 regulatory authority.

5 (4) In preparing its report, the committee shall solicit comments  
6 from the mortgage broker and mortgage banking industries, the  
7 department of licensing, the attorney general's office, other state  
8 regulators, and the mortgage loan consumers.

9 (5) The committee shall submit its report to the legislature by  
10 December 15, 1993.

11 NEW SECTION. **Sec. 22.** The director shall take steps and adopt  
12 rules necessary to implement the sections of this act by their  
13 effective dates.

14 NEW SECTION. **Sec. 23.** If any provision of this act or its  
15 application to any person or circumstance is held invalid, the  
16 remainder of the act or the application of the provision to other  
17 persons or circumstances is not affected.

18 NEW SECTION. **Sec. 24.** Sections 4 through 11, 14 through 19, and  
19 21 of this act are each added to chapter 19.146 RCW.

20 NEW SECTION. **Sec. 25.** This act shall take effect October 31,  
21 1993.

22 NEW SECTION. **Sec. 26.** This act shall expire April 30, 1994,  
23 except for section 2 of this act.

--- END ---