

HOUSE BILL REPORT

SHB 1419

As Passed House:

March 14, 2005

Title: An act relating to reserving state authority to regulate the customer transactions of financial service providers under the jurisdiction of the department of financial institutions.

Brief Description: Reserving state authority to regulate customer financial transactions.

Sponsors: By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Kirby, Roach, Santos, Newhouse and Williams).

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/3/05, 2/8/05 [DPS].

Floor Activity:

Passed House: 3/14/05, 96-0.

Brief Summary of Substitute Bill

- Prohibits cities, towns, counties, and other local governmental entities from regulating the terms or conditions or disclosures of financial transactions between a consumer and a financial institution or a business or profession regulated by the Department of Financial Institutions.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Kirby, Chair; Ericks, Vice Chair; Roach, Ranking Minority Member; Newhouse, Santos, Schual-Berke, Serben, Simpson, Strow and Williams.

Staff: Jon Hedegard (786-7127).

Background:

The financial services industry is generally regulated by federal and state governments. In Washington State, financial services providers are regulated by the Department of Financial Institutions. Examples of financial services providers include: state chartered banks; savings banks; credit unions; check cashiers; payday lenders; and licensed securities dealers.

In some states, local government entities have attempted to regulate financial services. In response, some states have enacted laws barring local governments from enforcing ordinances or regulations pertaining to financial services.

Title 35 addresses the regulation of cities and towns.

Title 35A addresses the regulation of entities that choose the optional municipal charter.

Title 36 addresses the regulation of counties.

RCW 30.22.041(2) defines "financial institution" as:

- state and national banks and trust companies;
- state and federal savings banks;
- state and federal savings and loan associations; and
- state and federal credit unions.

Summary of Substitute Bill:

Cities, towns, counties, and other local governmental entities are prohibited from regulating the terms or conditions or disclosures of any lawful financial transaction between a consumer and either a business or profession under the jurisdiction of the Department of Financial Institutions or a financial institution defined in RCW 30.22.041.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This bill reserves the state's authority to regulate financial services. It does not prohibit traditional local functions, like zoning. Seventeen states have prohibited local jurisdiction from regulating financial transactions. This week, the California Supreme Court upheld the California law. If the City of Seattle is allowed to pass an ordinance on the subject, then every city or county could adopt their own standards. Compliance would be a nightmare.

Testimony Against: None.

Persons Testifying: Gary Gardner, Boeing Employees Credit Union.

Persons Signed In To Testify But Not Testifying: None.