

FINAL BILL REPORT

SHB 2497

C 253 L 06

Synopsis as Enacted

Brief Description: Providing assistance for business owners who are active duty national guard members.

Sponsors: By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Kilmer, Buri, Hudgins, Skinner, Green, Morrell, Linville, Ormsby, Lantz, Williams, McCoy, Appleton, Moeller, Chase, Conway, P. Sullivan, Haler, Wallace, Sells, Morris, Ericks, Upthegrove and Woods).

House Committee on Financial Institutions & Insurance

Senate Committee on Financial Institutions, Housing & Consumer Protection

Background:

The Department of Financial Institutions regulates financial institutions chartered in Washington. These institutions include banks, credit unions, mutual savings banks, and savings and loan associations. Federally chartered financial institutions are regulated by one of several different federal agencies.

The federal Servicemembers Civil Relief Act of 2003 (SCRA) provides financial protections for servicemembers. "Servicemember" includes:

- (1) a member of the United States military called to active duty; and
- (2) a member of the National Guard under a call of active service:
 - authorized by the President of the United States or the Secretary of Defense for a period of more than 30 consecutive days; or
 - responding to a national emergency declared by the President and supported by federal funds.

The SCRA covers issues including rental agreements, security deposits, prepaid rent, eviction, installment contracts, credit card interest rates, mortgage interest rates, mortgage foreclosure, civil judicial proceedings, and income tax payments.

If the ability of a servicemember to repay a loan is materially affected by his or her service, then the loan incurred by a servicemember or by a servicemember and his or her spouse may not accrue interest at over 6 percent during the time of military service. There is a presumption that the service does materially affect the ability to repay the loan that may be rebutted by the lender. The SCRA only applies to loans made prior to the time of active service.

Summary:

If a service member is called to military service, the interest rate on a business loan must be conformed to the interest rate in the federal Servicemembers Civil Relief Act (this interest rate is 6 percent). This applies to business loans to entities where a service member is either the sole proprietor or owns at least 50 percent of the entity. To qualify, the loans must have an outstanding balance of less than \$100,000 at the time the service member is called to military service. The business must experience a material reduction in revenue due to the service member's military service. The service member must notify the lender five days prior to military service. These provisions apply only to business loans executed on or after January 1, 2007.

Votes on Final Passage:

House	98	0
Senate	47	0

Effective: June 7, 2006