

SENATE BILL REPORT

SHB 2497

As Reported By Senate Committee On:
Financial Institutions, Housing & Consumer Protection, February 16, 2006

Title: An act relating to assistance for business owners who are active duty national guard members.

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

Sponsors: 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).

Brief History: Passed House: 2/07/06, 98-0.

Committee Activity: Financial Institutions, Housing & Consumer Protection: 2/15/06, 2/16/06 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: Do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benson, Brandland, Finkbeiner, Franklin, Keiser, Schmidt and Spanel.

Staff: Jennifer Arnold (786-7471)

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 federal agencies.

The Federal Servicemembers Civil Relief Act of 2003 (SCRA) provides financial protections for service members. "Servicemember" includes: (1) a member of the United States armed forces called to active duty; (2) a member of the National Guard under a call of active service, who is authorized by the President of the United States or the Secretary of Defense for a period of more than 30 consecutive days, for the purpose of responding to a national emergency declared by the President and supported by federal funds; (3) a commissioned officer of the Public Health Service; and (4) a commissioned officer of the National Oceanic and Atmospheric Administration.

The SCRA includes financial protections relating to 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.

Impact of the SCRA on loans. If the ability of a service member to repay a loan is materially affected by his or her service, then the loan incurred by a service member (or jointly by that member and his or her spouse) cannot accrue interest at over 6 percent during the time of military service. There is a rebuttable presumption that the service materially affects the member's ability to repay the loan. The SCRA only applies to loans made prior to the time of active service.

Washington law defines "service member" as a member of the National Guard or a member of a military reserve component.

Summary of Bill: If a service member is called to military service, the interest rate on a business loan is limited to six percent, as it is under the SCRA.

Eligibility. This applies to business loans made to entities, in which 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 is required to notify the lender five days prior to military service.

This Act only applies to business loans executed on or after January 1, 2007.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Testimony For: This bill is very important to the patriotic community. It assures that interest on the business loans of active National Guard or military reserve members conforms to the existing federal cap. Family businesses are suffering hardships while service members are overseas; it doesn't seem right to put these families at such risk when they are serving our country. The least that we can do is make sure that service members are not suffering financially while contributing their service to our country. This is a hand-up, not a hand-out. Further, this will help in the recruiting and retention of first-rate citizens to the National Guard and reserves, who might not otherwise join due to the potential for financial hardship on their family-owned businesses.

Testimony Against: None.

Who Testified: PRO: Representative Kilmer, prime sponsor; Byran Petro, Port Orchard Chamber of Commerce, Military Affair Chair; Larry Seaquist, self, retired military.