

HOUSE BILL REPORT

SB 6272

As Passed House:

February 6, 2008

Title: An act relating to expanding financial literacy through education and counseling to promote greater homeownership security.

Brief Description: Expanding financial literacy through education and counseling to promote greater homeownership security.

Sponsors: By Senators Berkey, Hobbs, Fairley, Keiser, Kilmer, McDermott, Kauffman, Kohl-Welles, Murray, Shin, Regala, Kline, Spanel, Rasmussen and Franklin; by request of Governor Gregoire.

Brief History:

Committee Activity:

Appropriations: 1/29/08, 1/31/08 [DP].

Floor Activity:

Passed House: 2/6/08, 69-27.

Brief Summary of Bill

- Requires the Department of Financial Institutions to expand financial literacy through education and counseling.
- Creates an interagency work group to identify current state funded efforts to support financial literacy, and report on these efforts to the Governor and the Legislature.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 22 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Cody, Conway, Darneille, Ericks, Fromhold, Grant, Green, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Linville, McIntire, Morrell, Pettigrew, Schual-Berke, Seaquist and Sullivan.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Do not pass. Signed by 10 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Chandler, Hinkle, Priest, Ross, Schmick and Walsh.

Staff: Wendy Polzin (786-7137).

Background:

The Department of Financial Institutions (DFI) regulates financial services in Washington, including banks, credit unions, and securities investment firms. The DFI is responsible for ensuring these organizations are in compliance with applicable law.

In December the Washington Task Force for Home Owner Security made recommendations related to impacts from instability in the national subprime mortgage market. The recommendations included provisions for consumer education, outreach, and counseling programs.

Summary of Bill:

The DFI is directed to disseminate information to the public about laws regulating financial institutions and to assist the public in obtaining information about financial products.

The DFI is authorized to establish and implement at least two programs. The programs include: (1) education and outreach regarding financial literacy; and (2) counseling, marketing, and outreach about financial products and practices relating to home ownership.

The DFI is required to convene an interagency work group:

- to review the status of state-funded financial literacy efforts;
- to assess whether there are opportunities to create a centralized location of information about these efforts; and
- to explore expansion of partnerships with community entities providing financial literacy services.

A report to the Legislature and the Governor on the findings and recommendations of the work group is required by December 1, 2008.

Appropriation: The sum of \$1.5 million is appropriated from the State General Fund to the Department of Financial Institutions.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This bill is Governor-request legislation. The bill will provide counseling services from 45 or more counseling agencies around the state to pre-purchase and current homeowners regarding mortgage options. Counseling will help new home buyers stay out of subprime mortgages, and help current owners find out how to stay in their homes when their rates have increased. Subprime mortgages are a new financial product that has been offered for the last two years. Most people with subprime mortgages are not eligible for a standard mortgage and cannot afford their homes. The adjustable rates are set to increase this spring. This issue will continue through at least 2012. The state ranks approximately 48 in the nation for subprime adjustable rate mortgage defaults, and is much better off than the rest of the country.

(Opposed) None.

Persons Testifying: Scott Jarvis, Department of Financial Institutions; Matt Steuerwalt, Office of the Governor; and Kim Herman, Housing Finance Commission.

Persons Signed In To Testify But Not Testifying: None.