

FINAL BILL REPORT

SSB 6025

C 249 L 24
Synopsis as Enacted

Brief Description: Protecting consumers from predatory loans.

Sponsors: Senate Committee on Business, Financial Services, Gaming & Trade (originally sponsored by Senators Stanford, Dhingra, Frame, Hasegawa, Kuderer, Nguyen, Saldaña, Trudeau, Valdez and Wilson, C.).

Senate Committee on Business, Financial Services, Gaming & Trade
House Committee on Consumer Protection & Business
House Committee on Appropriations

Background: Consumer Loan Act. The Consumer Loan Act (CLA) regulates consumer loans in Washington by providing various requirements for lenders and protections for borrowers. The CLA authorizes the Department of Financial Institutions to regulate consumer loan companies doing business in Washington. The CLA is applicable to each loan made to a resident of Washington by a licensee.

Definition of a Loan. Under the CLA, the term loan is currently defined as a sum of money lent at interest or for a fee or other charges and includes both open-end and closed-end loan transactions.

Applicability of the Consumer Loan Act. The CLA is applicable to each loan made to a resident of Washington by a licensee and subject to its authority and restrictions. There are a number of entities exempt from the CLA, some of which include:

- pawnbrokers;
- retail installment sales of goods and services;
- check cashers or sellers; and
- various federal government loan programs.

Violations of the Consumer Loan Act. The CLA has a number of violations listed in statute, some of which include:

- employing a scheme to defraud or mislead any lender or person;

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- obtaining property by fraud or misrepresentation;
- engaging in any unfair or deceptive practice towards any person;
- soliciting or entering into a contract where a borrower has to pay a fee or commission when the borrower does not obtain a loan;
- soliciting rates, points, or finance terms that are not available at the time of advertisement; and
- failing to make disclosures to loan applicants as required.

Engaging in any device, subterfuge, or pretense to evade or circumvent the requirements of the CLA is not explicitly referenced as a violation of the CLA.

Summary: Anti-Evasion Provisions in the Consumer Loan Act. Individuals attempting to evade the requirements of the CLA through any device, subterfuge, or pretense to make, offer, or assist a borrower obtain a loan with a greater rate of interest, consideration, or charge is in violation of the CLA.

If a loan exceeds the rate permitted under the CLA, an entity making a loan is subject to the requirements of the CLA even if that entity is acting as an agent, service provider, or in a different capacity.

Loans that exceed the permitted rate under the CLA are subject to the CLA if the entity making the loan has the predominant economic interest in the loan or if the totality of circumstances indicate that the entity is a lender making a transaction that is structured to evade the requirements of the CLA.

The CLA does not apply to entities that extend money or credit to another person while representing that individual in a legal proceeding where the entity stands to receive a portion of an award or settlement from the legal action. The exemption does not apply to any entity that requires repayment in the event the person does not prevail in their civil proceeding.

Entities that make a loan in the state of Washington without a license that is not a residential mortgage loan is null, void, uncollectable, and unenforceable.

The act is prospective and does not apply to any loan issued prior to the bill's effective date unless the bill is renegotiated or modified after the effective date.

Votes on Final Passage:

Senate	49	0	
House	96	0	(House amended)
Senate	49	0	(Senate concurred)

Effective: June 6, 2024