

SENATE BILL REPORT

HB 2761

As Reported By Senate Committee On:
Financial Institutions & Housing, February 20, 1996

Title: An act relating to the powers of the director to impose fines or sanctions against mortgage brokers.

Brief Description: Imposing fines or sanctions against mortgage brokers.

Sponsors: Representatives L. Thomas, Wolfe and Pelesky; by request of Department of Financial Institutions.

Brief History:

Committee Activity: Financial Institutions & Housing: 2/20/96 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar, Smith and Sutherland.

Staff: Traci Ratzliff (786-7452)

Background: The Legislature adopted a temporary Mortgage Broker Licensing Program during the 1993 session and made this program permanent in 1994. Mortgage brokers are regulated by the Department of Financial Institutions.

A number of prohibited practices are specified that mortgage brokers, employees of mortgage brokers, and mortgage bankers must not violate. A mortgage broker is liable for violations of the act by his or her loan originators.

Some persons who are exempt from the mortgage brokers licensing requirements, including most mortgage bankers who are not otherwise regulated, are required to comply with the prohibited practices sections of the act. In addition, they are subject to the director of the Department of Financial Institutions' authority to issue cease and desist orders for violations of these prohibited practices and to obtain and review documents relevant to alleged violations of these practices.

The director may impose penalties for violations of the cease and desist orders or other orders of the director, or remove or bar from the industry any principal, employee, or loan originator of a licensee.

Summary of Bill: The director of the Department of Financial Institutions' authority to deny licenses, suspend or revoke licenses, and impose fines and penalties for certain actions is clarified. The director is given explicit authority to impose penalties or fines for specific violations of the Mortgage Brokers' Practices Act, such as violating prohibited practices.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect on July 1, 1996.

Testimony For: This bill provides needed clarification regarding DFI's authority to impose sanctions for violations of the Mortgage Broker's Practices Act.

Testimony Against: None.

Testified: Mark Thomson, Department of Financial Institutions (pro).