

SENATE BILL REPORT

SB 5432

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, FEBRUARY 19, 1993

Brief Description: Studying discrimination based on race and national origin in home mortgage lending.

SPONSORS: Senators Pelz, Prentice, Moore, Franklin, Bauer, Wojahn, Fraser and Skratek

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: That Substitute Senate Bill No. 5432 be substituted therefor, and the substitute bill do pass.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Barr, Cantu, Fraser, McAuliffe, Newhouse, Pelz, Prince, and Sutherland.

Staff: Benson Porter (786-7470)

Hearing Dates: February 15, 1993; February 19, 1993

BACKGROUND:

In 1975, Congress enacted the Home Mortgage Disclosure Act (HMDA) to require certain financial institutions to compile and disclose data about applications they receive for home purchase and improvement loans. Data is annually provided to federal regulators, and certain data must be made available for public inspection.

While community organizations use the data to assess the home lending activities of local institutions, financial institutions use the data to evaluate the success of loan marketing and community outreach programs. Supervisory agencies use HMDA data to assess the performance of financial institutions in satisfying their compliance with the Community Reinvestment Act, the Fair Housing Act, and the Equal Credit Opportunity Act.

The Federal Reserve Bank has released reports showing discrepancies between loan rejection rates between racial classifications. Interest has been expressed in reviewing this data, any conclusions therefrom, and potential remedial actions.

SUMMARY:

The Department of General Administration is directed to perform a study of discrimination based on race and national origin in home mortgage lending after 1990.

The study is to (1) address the nature of the problem and why it is occurring, (2) consider activities by financial

institutions to solve the problem, and (3) suggest resolutions for institutions operating within Washington. The study shall be provided to the House Financial Institutions and Insurance Committee and the Senate Labor and Commerce Committee by December 1, 1993.

EFFECT OF PROPOSED SUBSTITUTE:

The Supervisor of Banking and the Supervisor of Savings and Loans are required to conduct the study rather than the Department of General Administration.

Appropriation: none

Revenue: none

Fiscal Note: requested

TESTIMONY FOR:

This measure will increase public and industry understanding of the issues raised by recent HMDA data. In addition, efforts by this state's institutions to address concerns arising from this data will be promoted.

TESTIMONY AGAINST: None

TESTIFIED: Senator Pelz, prime sponsor