

# HOUSE BILL REPORT

## HB 1188

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**As Passed House:**

February 3, 1995

**Title:** An act relating to loan-to-value ratios and examination periods.

**Brief Description:** Concerning the loan security ratio.

**Sponsors:** Representatives L. Thomas, Dyer, Grant, Benton, Campbell, Costa, Pelesky, Huff and Mielke.

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 1/25/95, 1/26/95 [DP].

**Floor Activity:**

Passed House: 2/3/95.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass. Signed by 12 members: Representatives L. Thomas, Chairman; Beeksma, Vice Chairman; Smith, Vice Chairman; Wolfe, Ranking Minority Member; Campbell, Assistant Ranking Minority Member; Costa; Dellwo; Dyer; Huff; Kessler; Mielke and Pelesky.

**Staff:** Charlie Gavigan (786-7340).

**Background:** Consumer loan companies are regulated by state law. The maximum interest rate consumer loan companies can legally charge is 25 percent per year. Other statutory provisions limit the amount of fees these companies may charge for making a loan and, for loans secured by real estate, limit the maximum loan-to-value ratio to 90 percent.

These companies are licensed by the Department of Financial Institutions. Consumer loan companies must be examined at least once each 18 months.

**Summary of Bill:** The statutory provision limiting the maximum loan-to-value ratio to 90 percent for real estate loans made by consumer loan companies is removed. The director of the Department of Financial Institutions shall determine, by rule, how often consumer loan companies are examined.

**Appropriation:** None.

**Fiscal Note:** Not Requested.

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

**Testimony For:** The maximum loan-to-value ratio used for real estate loans should be determined by the company, rather than be determined by an arbitrary statutory limit. No other lender has its maximum loan-to-value ratio limited by statute.

**Testimony Against:** None.

**Testified:** Lew McMurrin, Household Financial Group (pro); and Susie Tracy, Washington State Financial Service Association (pro).