

# HOUSE BILL REPORT

## EHB 1411

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### As Passed House

March 7, 1997

**Title:** An act relating to authorizing the collection of fees in connection with making consumer loans.

**Brief Description:** Authorizing the collection of fees for consumer loans.

**Sponsors:** By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives L. Thomas, Grant, Zellinsky, DeBolt and Benson).

### Brief History:

#### Committee Activity:

Financial Institutions & Insurance: 2/6/97, 2/13/97 [DP].

#### Floor Activity:

Passed House: 3/7/97, 70-25.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass. Signed by 8 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; DeBolt; Keiser and Wensman.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Constantine and Sullivan.

**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 originating a loan; the fee cannot exceed 4 percent of the first \$20,000 and 2 percent of the amount loaned above \$20,000. Fees are allowed for actual costs for title insurance, appraisals, and the recording, reconveying, and releasing of security-related documents. Fees cannot be collected, except the appraisal fee, unless the loan is made.

**Summary of Bill:** The loan origination fee limitation is removed for real estate loans made by consumer loan companies until June 30, 2002; after that date, the previous

limitation of 4 percent of the first \$20,000 and 2 percent thereafter is reinstated. The Department of Financial Institutions is to monitor the impact of deregulating the origination fees for real estate loans made by consumer loan companies and report to the Legislature by October 1, 2001.

Fees are allowed to cover actual costs for any third party providing goods or services in connection with the preparation of the borrower's loan. Provisions specifically allowing fees for the recording, reconveying, and releasing of security-related documents are removed.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This bill provides parity for consumer loan companies. Other financial institutions do not have limitations on origination fees for real estate loans.

**Testimony Against:** The existing fee limitations are more than adequate, especially considering the higher interest rates typically charged by consumer loan companies. Other financial institutions generally reduce their interest rate when they increase origination fees; consumer loan companies likely will not decrease rates when they increase origination fees.

**Testified:** Susan Tracy, Washington State Financial Services Association (supports); David Emerick, Household Financial Services (supports); and David Horn, Office of the Attorney General (opposes).