

FINAL BILL REPORT

EHB 1411

FULL VETO

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

Sponsors: Representatives L. Thomas, Grant, Zellinsky, DeBolt and Benson.

House Committee on Financial Institutions & Insurance

Senate Committee on Financial Institutions, Insurance & Housing

Background: Consumer loan companies are regulated by state law. The maximum interest rate consumer loan companies may 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 may not exceed 4 percent of the first \$20,000 and 2 percent of any amount loaned above \$20,000. Loan companies may charge a fee for the costs of title insurance, appraisals, and the recording, reconveying, and releasing of security-related documents. Fees may not be collected, except appraisal fees, unless a loan is made.

Summary: The loan origination fee limitation is removed for real estate loans made by consumer loan companies until June 30, 2002. After that date, the current limitation of 4 percent of the first \$20,000 and 2 percent thereafter will be reinstated. The Department of Financial Institutions will monitor and report to the legislature on the impact of deregulating the origination fees for real estate loans made by consumer loan companies. The report will be made by October 1, 2001.

Loan companies may charge fees for the 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.

Votes on Final Passage:

House 70 25

Senate 49 0