

# HOUSE BILL REPORT

## HB 2321

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**As Reported By House Committee On:**  
Financial Institutions & Insurance

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

**Brief Description:** Allowing consumer loan companies to charge borrowers fees for services provided by third parties.

**Sponsors:** Representatives L. Thomas, Smith and Wolfe.

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 1/15/98 [DPS].

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benson; Constantine; DeBolt; Keiser and Wensman.

**Staff:** Jim Morishima (786-7191).

**Background:** Consumer loan companies are regulated by state law. They can charge interest rates up to 25 percent. Consumer loan companies can charge the borrower for fees they incur for title insurance, appraisals, recording, reconveyance, and releasing as long as the fees were incurred in connection with preparing the borrower's loan. If the consumer loan company does not make the loan, it can only charge the borrower for the appraisal fee.

**Summary of Substitute Bill:** HB 2321 removes the restriction on the types of expenses the consumer loan company may recover. Instead of being limited to fees incurred for title insurance, appraisals, recording, reconveying and releasing, the consumer loan company may now charge the borrower for any fees it incurs from third parties in connection with preparing the borrower's loan. HB 2321 preserves the part of the statute that limits the consumer loan company to the appraisal fee if no loan is made.

**Substitute Bill Compared to Original Bill:** The substitute bill clarifies that the licensee making the loan is not a third party for purposes of the act.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This bill provides needed flexibility for consumer loan companies facing a market where the types of fees charged by third parties have changed. This bill also gives Washington consumer loan companies parity with consumer loan companies in other states.

**Testimony Against:** None.

**Testified:** Susan Tracey, Washington State Financial Services Association (pro); David Horn, Office of the Attorney General (pro); and Mark Thomson, Department of Financial Institutions (neutral).