

1411

Sponsor(s): Representatives L. Thomas, Grant, Zellinsky, DeBolt and Benson

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

HB 1411.E - DIGEST

(DIGEST AS PASSED LEGISLATURE)

Provides that a licensee may: (1) Until June 30, 2002, in connection with the making of a loan that is secured primarily by real estate, charge the borrower a nonrefundable loan origination fee, which may be included in the principal balance of the loan;

(2) after June 30, 2002, in connection with the making of a loan that is secured primarily by real estate, charge the borrower a nonrefundable loan origination fee not to exceed four percent of the first twenty thousand dollars and two percent thereafter of the principal amount of the loan advanced to or for the direct benefit of the borrower, which fee may be included in the principal balance of the loan.

Directs the department of financial institutions to monitor the impact on consumers of removing the origination fee limit for real estate loans under this act, particularly the relationship between the interest rate charged and origination fees. The department shall report to the financial institutions committees of the legislature by October 1, 2001.

Provides that a licensee may agree with the borrower for the payment of fees to third parties who provide goods or services in connection with the preparation of the borrower's loan, including, but not limited to, credit reporting agencies, title companies, appraisers, structural and pest inspectors, and escrow companies.

VETO MESSAGE ON HB 1411

April 25, 1997

To the Honorable Speaker and Members,

The House of Representatives of the State of Washington
Ladies and Gentlemen:

I am returning herewith, without my approval as to Engrossed House Bill No. 1411 entitled:

"AN ACT Relating to authorizing the collection of fees in connection with making consumer loans;"

This legislation would have deregulated the origination fee and removed restrictions on third-party fees that consumer loan companies may charge on loans secured by real estate.

While I am supportive of creating a favorable climate for Washington's financial institutions, I am concerned about the impact this legislation might have had on unsophisticated or high-risk borrowers.

Consumer loan companies enjoy the benefits of the Consumer Loan Act, and have historically existed to make credit available to high-risk borrowers. However, many consumer loan companies are moving away from small loans secured by personal property or

unsecured, and are competing with banks for real-estate secured loans.

EHB 1411 would blur the distinction between traditional mortgage lenders and consumer loan companies. I am concerned that unsophisticated consumers or those with poor credit could be susceptible to the kind of financial disadvantages the original legislation was designed to protect them from.

For these reasons, I have vetoed Engrossed House Bill No. 1411 in its entirety.

Respectfully submitted,
Gary Locke
Governor