

# SENATE BILL REPORT

## SB 6623

---

---

As Reported By Senate Committee On:  
Labor, Commerce & Financial Institutions, February 4, 2002

**Title:** An act relating to a task force to study mortgage lending.

**Brief Description:** Creating a task force to study consumer mortgage lending issues.

**Sponsors:** Senators Gardner and Winsley.

**Brief History:**

**Committee Activity:** Labor, Commerce & Financial Institutions: 1/29/02, 2/4/02 [DP].

---

### SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Keiser, Vice Chair; Fairley, Franklin, Gardner, Rasmussen, Regala and Winsley.

**Staff:** Jack Brummel (786-7428)

**Background:** Many consumers may not be eligible for home loans under traditional standards used by banks and they may borrow from subprime lenders at terms that are disadvantageous to them and are not justified by the slight increase in risk they might represent to a lender. Some of the problems with subprime and predatory lending in the mortgage lending market include: high-interest rate loans; excessive closing costs and fees; prepayment penalties; single-premium credit insurance; negative amortization and balloon payments; steering and using bait and switch tactics; financing of fees; making loans based only upon the equity in the property and not the ability to pay; servicing loans in a deceptive manner; and failing to include payment of homeowners' insurance and property taxes without telling the borrower.

**Summary of Bill:** A legislative joint task force is appointed to review the adequacy of notice requirements in mortgage lending and methods to encourage greater participation by prime lenders in low and moderate-income mortgage lending. The task force is also to review the application of a suitability standard in residential mortgage loans, the use of residential mortgage foreclosure by subprime lenders and other mortgage lending issues.

The joint task force is composed of eight legislative members, four from each body with equal representation of majority and minority caucuses. The Department of Financial Institutions is to work with the task force. The task force must report its findings and recommendations by December 1, 2002.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** There has been an increase in predatory lending cases where vulnerable people are targeted and wind up paying more. There are good models for ways to stop this problem that need to be looked at.

**Testimony Against:** We want to eliminate bad behavior but avoid limiting the choice of loan products. The bill pre-supposes that subprime lending is a bad practice.

**Testified:** PRO: Melissa Huelsman; Gene Forrester, Sr. Citizens' Lobby; Arnie Whedbee, Columbia Legal Services. CON: Tom Echols, Household Finance; Jim Brown, Charlie Brown, Roger Rubbin, WA Assoc. of Mortgage Brokers.