

# SENATE BILL REPORT

## SB 6471

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As Passed Senate, February 19, 2008

**Title:** An act relating to protecting consumers by regulating loans under the consumer loan act and mortgage broker practices act.

**Brief Description:** Protecting consumers by regulating loans under the consumer loan act and mortgage broker practices act.

**Sponsors:** Senators Weinstein, Kauffman, Tom, Fairley, McAuliffe, Kohl-Welles, Keiser and Kline.

**Brief History:**

**Committee Activity:** Consumer Protection & Housing: 1/22/08, 1/25/08 [DP-WM].

Passed Senate: 2/19/08, 47-0.

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### SENATE COMMITTEE ON CONSUMER PROTECTION & HOUSING

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Weinstein, Chair; Kauffman, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Haugen, Jacobsen, Kilmer, McCaslin and Tom.

**Staff:** Alison Mendiola (786-7483)

**Background:** Companies that lend money in excess of 12 percent must be licensed under the Consumer Loan Act (CLA) and are regulated by the Department of Financial Institutions (DFI). These companies primarily make mortgage loans but may also make other loans, such as furniture or car loans. Three hundred and five companies are currently licensed under the CLA.

If a company offers mortgage loans to Washington residents, but does not offer loans in excess of 12 percent, the company must either be licensed under the Mortgage Broker Practices Act (MBPA) regulated by DFI, or be exempt from the MBPA.

A common exemption from the MBPA includes companies offering mortgage loans approved by Fannie Mae or Freddie Mac. If the lender agrees to parameters set by Fannie Mae or Freddie Mac, Fannie Mae or Freddie Mac agree to buy that loan. Neither Fannie Mae nor Freddie Mac regulate or otherwise audit these loans that are exempt from the MBPA.

One thousand three hundred and eighty mortgage broker licenses and 6,337 loan originator licenses are currently under the MBPA, with approximately 300 businesses exempt.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Summary of Bill:** The Consumer Loan Act (CLA) is amended to eliminate the 12 percent interest threshold. Mortgage lenders currently exempt from the MBPA are required to be licensed under the CLA. Retail installment contracts are exempt from the CLA.

**Appropriation:** None.

**Fiscal Note:** Available.

[OFM requested a ten-year cost projection pursuant to I-960.]

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: This bill creates a level playing field for all non-depository lenders. Mortgage lenders currently exempt from the Mortgage Brokers Practices Act because they sell their loans to Fannie Mae or Freddie Mac, aren't regulated by anyone. There are at least 300 companies in this situation. Due to what's going on in the market, few would argue that such businesses should self-regulate. This closes a licensing loophole.

**Persons Testifying:** PRO: Deb Bortner, Department of Financial Institutions; and Ari Brown, Brown Sayre Law Group.