

HOUSE BILL REPORT

SB 6282

As Reported by House Committee On:
Business & Financial Services

Title: An act relating to the mortgage lending fraud prosecution account.

Brief Description: Addressing the expiration date of the mortgage lending fraud prosecution account.

Sponsors: Senators Benton, Hasegawa, Mullet and Angel; by request of Department of Financial Institutions.

Brief History:

Committee Activity:

Business & Financial Services: 2/16/16, 2/23/16 [DP].

Brief Summary of Bill

- Delays the expiration date of the Mortgage Lending Fraud Prosecution Account and related \$1 surcharge until June 30, 2021.

HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

Majority Report: Do pass. Signed by 11 members: Representatives Kirby, Chair; Stanford, Vice Chair; Vick, Ranking Minority Member; McCabe, Assistant Ranking Minority Member; Barkis, Blake, Dye, Hurst, Kochmar, Ryu and Santos.

Staff: Peter Clodfelter (786-7127).

Background:

The Mortgage Lending Fraud Prosecution Account.

In 2003 the Legislature created the Mortgage Lending Fraud Prosecution Account (Account), a specific fund to aid in the prosecution of consumer fraud in the mortgage lending process. The Account is administered by the Department of Financial Institutions (DFI). Funds for the Account are generated by a \$1 surcharge, assessed at the recording of a deed of trust. In order to defray the costs of collection, the county auditor may retain up to 5 percent of the

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funds collected. Once collected by a county, the funds must be transferred monthly to the State Treasurer who, in turn, must deposit the funds into the Account.

The DFI may use funds in the Account to reimburse prosecutors for costs related to the investigation and criminal prosecution of mortgage fraud cases. The Director of the DFI or designee may authorize expenditures from the fund. The DFI is required to consult with the Attorney General and local prosecutors in developing rules for the distribution of the funds.

The Account and the surcharge created in 2003 were originally set to expire on June 30, 2006. In 2006 the expiration of the Account and the surcharge was delayed until June 30, 2011. In 2011 the expiration of the Account and the surcharge was delayed until June 30, 2016.

Summary of Bill:

The expiration date of the Mortgage Lending Fraud Prosecution Account and the related \$1 surcharge is extended until June 30, 2021.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The Department of Financial Institutions requests this legislation. The Mortgage Lending Fraud Prosecution Account has provided necessary resources for pursuing criminal mortgage fraud prosecutions. Mortgage fraud crimes remain a problem in Washington. Although many of the prosecutions funded by the Mortgage Lending Fraud Prosecution Account occur in King County, the prosecutions have statewide effect. Cases prosecuted to date involve hundreds of homeowner-victims across the state and have led to dozens of convictions; more cases are expected. The successful prosecutions are directly related to the funding provided by the \$1 surcharge. Mortgage fraud prosecutions are complex cases and are difficult for local police and prosecutors to handle absent additional resources. The surcharge is small and it provides important resources. The surcharge has been \$1 since the Legislature first established it, and it is expected that the revenue generated is sufficient.

(Opposed) None.

Persons Testifying: Charlie Clark, Department of Financial Institutions; and Hugo Torres, King County Prosecutor's Office.

Persons Signed In To Testify But Not Testifying: None.