

SENATE BILL REPORT

SB 6282

As Passed Senate, February 11, 2016

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: Financial Institutions & Insurance: 1/14/16, 1/20/16 [DP].
Passed Senate: 2/11/16, 49-0.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators Benton, Chair; Angel, Vice Chair; Mullet, Ranking Minority Member; Fain, Hobbs, Litzow, Nelson and Pedersen.

Staff: Aldo Melchiori (786-7439)

Background: In 2003, legislation was enacted creating 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 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 the Account to reimburse county prosecutors and/or the Office of the Attorney General (AG) for costs related to the investigation and prosecution of mortgage fraud cases. Reimbursable items include salaries, training costs for staff, and expenses related to investigation and litigation. The Director of the DFI or the Director's designee may authorize expenditures from the Account. The DFI is required to consult with the AG and local prosecutors in developing guidelines for the distribution of the funds, which are to be used to enhance law enforcement capabilities at both the state and local level.

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.

The Account and the surcharge created in 2003 were originally set to expire on June 30, 2006, but the expiration date has been extended twice and currently expires on June 30, 2016.

Summary of Bill: The expiration date for the mortgage lending fraud prosecution account is extended from June 30, 2016 to June 30, 2021.

Appropriation: None.

Fiscal Note: Available.

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: Continuation of this funding will ensure that prosecutors continue to have the resources necessary to protect consumers and businesses from mortgage fraud schemes. The King County Prosecuting Attorney's Office has been able to dedicate two prosecutors and a fraud investigator full time to the task of investigating and prosecuting mortgage fraud crimes. This has resulted in justice for the hundreds of consumers and businesses who have been victimized by these criminals. With home prices rising these past few years, we are seeing unscrupulous individuals once again flock to the real estate market to exploit and profit from unsuspecting consumers and businesses. There are approximately a dozen cases a year, but they are very complex to litigate and involved thousands of pages of documents to review and many witness interviews. The cases range from one-time frauds to large scale criminal enterprises. The DFI works closely with county prosecutors to ensure the proper management of the funds.

Persons Testifying: PRO: Hugo Torres, Jennifer Atchison, King County Prosecuting Attorney's Office; Charles Clark, DFI.

Persons Signed In To Testify But Not Testifying: No one.