

SENATE BILL REPORT

HB 1104

As Reported by Senate Committee On:
Business, Financial Services & Trade, March 18, 2021

Title: An act relating to extending the operation of the mortgage lending fraud prosecution account until June 30, 2027.

Brief Description: Extending the operation of the mortgage lending fraud prosecution account until June 30, 2027.

Sponsors: Representatives Ryu and Kloba; by request of Department of Financial Institutions.

Brief History: Passed House: 2/25/21, 97-1.

Committee Activity: Business, Financial Services & Trade: 3/16/21, 3/18/21 [DP].

Brief Summary of Bill

- Extends the operation of the Mortgage Lending Fraud Prosecution Account until June 30, 2027.
- Extends the surcharge for prosecution of mortgage lending fraud until June 30, 2027.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Majority Report: Do pass.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Dozier, Ranking Member; Brown, Frockt, Hobbs and Wilson, L.

Staff: Clinton McCarthy (786-7319)

Background: The Mortgage Lending Fraud Prosecution Account will expire on June 30, 2021. The account is in the custody of the state treasurer, and only the director of the Department of Financial Institutions or the director's designee may authorize expenditures

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from the account. Expenditures from the account may be used only for criminal prosecution of fraudulent activities related to mortgage lending fraud crimes.

The account contains revenue from a \$1 surcharge collected by the county auditor at the time of recording of each deed of trust. This surcharge does not apply to assignments or substitutions of previously recorded deeds of trust. The auditor may retain up to 5 percent of the surcharge, and the remainder is transmitted monthly to the state treasurer, who deposits the funds into the account. The surcharge will expire on June 30, 2021.

Summary of Bill: The expiration date for the Mortgage Lending Fraud Prosecution Account and the \$1 surcharge on deeds of trust is extended until June 30, 2027.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: This account has been renewed repeatedly over the years. This bill is needed to keep this account alive. There are funding constraints and capacity issues in smaller counties. King County is the only county with a robust program, but is willing to help other counties. This fund allows prosecutors to litigate complex bills. This funding has allowed for the investigation and prosecution of dozens of cases. This account was created in 2003 and has been extended numerous times. The work funded by this account has charged over 20 individuals with over 90 felonies. These are not simple, straightforward property crimes. This is complex litigation that take time to investigate and prosecute. The \$1 fee at the recording of a deed of trust sale is imperceptible to the parties of a transaction. With uncertainty in the mortgage market coming out of the pandemic, it makes sense for the state to continue to support this kind of work. The Department of Financial Institutions has reached out to counties other than King County to see what they can do to get the other counties more involved in this activity.

Persons Testifying: PRO: Representative Cindy Ryu, Prime Sponsor; Hugo Torres, King County Prosecuting Attorney's Office; Patrick Hinds, King County Prosecuting Attorney's Office; Drew Bouton, Washington State Department of Financial Institutions; Cindy Fazio, Department of Financial Institutions.

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