

# SENATE BILL REPORT

## HB 1188

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As Reported By Senate Committee On:  
Financial Institutions & Housing, March 17, 1995

**Title:** An act relating to loan-to-value ratios and examination periods.

**Brief Description:** Concerning the loan security ratio.

**Sponsors:** Representatives L. Thomas, Dyer, Grant, Benton, Campbell, Costa, Pelesky, Huff and Mielke.

**Brief History:**

**Committee Activity:** Financial Institutions & Housing: 3/16/95, 3/17/95 [DP].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar and Sutherland.

**Staff:** David Cheal (786-7576)

**Background:** Consumer loan companies are regulated by state law. The maximum interest rate consumer loan companies can legally charge is 25 percent per year. Other statutory provisions limit the amount of fees these companies may charge for making a loan and, for loans secured by real estate, limit the maximum loan-to-value ratio to 90 percent.

These companies are licensed by the Department of Financial Institutions. Consumer loan companies must be examined at least once each 18 months.

**Summary of Bill:** The statutory provision limiting the maximum loan-to-value ratio to 90 percent for real estate loans made by consumer loan companies is removed. The Director of the Department of Financial Institutions must determine, by rule, how often consumer loan companies are examined.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** No other lending institutions have loan-to-value ratio limitations. To assist properly customers and be competitive, consumer loan companies should be relieved of this restriction.

**Testimony Against:** None.

**Testified:** Lew McMurrin, Household Financial Group (pro); Susie Tracy, Washington State Financial Services Association (pro).