

**Governor Gregoire signs two DFI-requested bills designed to protect consumers, ensure Sound business practices**

**Local News**

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Posted on : March 15, 2010 at 4:49 am

Olympia &dash; The Washington State Department of Financial Institutions is pleased to announce the signing of two requested bills offering stronger protection for consumers and establishing guidelines for more sound business practices: HB 2608 regarding Loan Servicers and Loan Modifications and ESHB 2564 regarding Escrow Agents.

"We proposed the loan servicer bill because we received so many complaints from Washington homeowners who lost their dreams &dash; their homes &dash; to questionable third party loan servicing practices," Deborah Bortner, DFI Director of Consumer Services said. "Throughout the foreclosure crisis, homeowners desperately hoping to avoid losing their home have fallen victim to companies offering to help - for a substantial fee. In many cases, the homeowner pays several thousand dollars, receives no loan modification and loses their home to foreclosure anyway."

**Loan Servicing/Modification (HB 2608)**

Ø The bill requires licensure of loan servicers and creates prohibited practices. It requires them to comply with many of the laws applicable to loan originators, and requires them to maintain a surety bond.

Ø Servicers must:

§ Explain all fees;

§ Credit all payments within one business day of receipt;

§ Make reasonable attempts to comply with requests for information from the borrower; and

§ Promptly correct errors and refund erroneous fees.

Ø The bill clarifies licensing requirements for third-party loan modification services providers.

It also makes modification service providers subject to the Mortgage Fraud Act.

Ø This bill sets requirements for loan modification services, including:

§ A written fee disclosure must be provided and signed before any up front fee is paid;

§ Up-front fees may not exceed \$750;

§ Total fees charged must be reasonable and customary in the industry;

§ The service provider must not require the borrower to waive his or her legal rights, cease communication with the lender, or pay any charges not enumerated in any agreement.

Ø Loan originator and mortgage broker licenses may not be issued to persons who have provided unlicensed loan modification services in the last five years.

&ldquo;The escrow bill was proposed because there have been instances of escrow companies whose owners absconded with consumers&rsquo; funds and there was no bonding to cover the loss,&rdquo; Bortner explained.

**Escrow Agents (ESHB 2564)**

Ø Escrow applicants must provide information about officers and directors, and are subject to fingerprinting.

- Ø Attorneys providing escrow services independent of their law practices must license as escrow agents.
- Ø Escrow agents are restricted from employing people in specific positions who have been convicted of crimes involving dishonesty.
- Ø An escrow agent's bond must cover malfeasance of the owner, a director, or an officer (the current bond only covers employees).
- Ø In addition to or in lieu of suspension or fines, DFI may require licensees to pay restitution.
- Ø DFI may step into the shoes of an escrow agent and wind up outstanding transactions when the business is operated in an unsafe or unsound manner.

"We are pleased to offer these additional protections for Washington residents," DFI Director Scott Jarvis said of the bills. "These bills are an example of how the dedicated staff at DFI is working to fulfill this agency's mission to regulate financial services to protect and educate the public and promote economic vitality."

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About DFI [www.dfi.wa.gov](http://www.dfi.wa.gov) ? 360.902.8700 ? 877.RINGDFI (746.4334)

The Washington State Department of Financial Institutions regulates a variety of financial service providers such as banks, credit unions, mortgage brokers, consumer loan companies, payday lenders and securities brokers and dealers. The department also works to improve financial education throughout Washington through its outreach programs and online clearinghouse [www.dfi.wa.gov/financial-education](http://www.dfi.wa.gov/financial-education). In addition to posting information about licensees and administrative actions, DFI uses the Web and social media to provide financial education information: [www.twitter.com/FinEd4All](https://www.twitter.com/FinEd4All) n [www.twitter.com/DFIConsumers](https://www.twitter.com/DFIConsumers) n [www.finlit.blogspot.com](http://www.finlit.blogspot.com) n [www.youtube.com/user/WADFI](https://www.youtube.com/user/WADFI) n [www.homeownership.wa.gov](http://www.homeownership.wa.gov)

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The mission of the Division of Consumer Services is to protect consumers from illegal and fraudulent lending practices. The division accomplishes its mission through licensing, licensee examinations, investigations, and enforcing selected state and federal statutes and rules. Consumer Services regulates the business activities of consumer loan companies, mortgage brokers, money transmitters and currency exchangers, as well as check cashers and sellers, also known as "payday lenders." The Division is entirely self-supporting, with funding provided by licensing, auditing, and policing of regulated businesses and individuals. No money is received from the state General Fund or other public revenue source.