
BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0781.3/18 3rd draft

ATTY/TYPIST: KS:amh

BRIEF DESCRIPTION: Establishing a student loan bill of rights.

1 AN ACT Relating to establishing a student loan bill of rights;
2 amending RCW 28B.10.285, 43.320.110, 31.04.027, 31.04.035, 31.04.093,
3 31.04.102, 31.04.145, 31.04.165, 31.04.277, and 31.04.310; reenacting
4 and amending RCW 31.04.015; adding new sections to chapter 28B.77
5 RCW; adding new sections to chapter 31.04 RCW; and creating new
6 sections.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 28B.77
9 RCW to read as follows:

10 (1) The council shall designate a student loan advocate within
11 the office to provide timely assistance to any student education loan
12 borrower with any student education loan. The student loan advocate
13 may hire additional staff as necessary to implement this section.

14 (2) The student loan advocate receives and reviews complaints
15 from student education loan borrowers. Complaints regarding student
16 education loan servicers licensed or subject to licensing under
17 chapter 31.04 RCW must be referred to the department of financial
18 institutions. The department of financial institutions investigates
19 complaints received by the student loan advocate, and from the public
20 who may also submit complaints directly to the department of
21 financial institutions.

1 (3) The student loan advocate, in collaboration with the attorney
2 general's office, receives, reviews, and refers to the attorney
3 general's consumer protection division all other complaints from
4 student education loan borrowers regarding student education loan
5 servicers whose activities are not subject to licensure by chapter
6 31.04 RCW.

7 (4) The student loan advocate, the department of financial
8 institutions, and the office of the attorney general shall confer
9 annually regarding the student education loan servicer complaints,
10 the proper referral processes for those complaints, and the reporting
11 requirements of the advocate under chapter 31.04 RCW and this
12 section.

13 (5) The student loan advocate has the following duties:

14 (a) Compile and analyze data on student education loan borrower
15 complaints received and referred to the department of financial
16 institutions and the office of the attorney general;

17 (b) Assist student education loan borrowers in understanding
18 rights and responsibilities under the terms of student education
19 loans, including reviewing the complete student education loan
20 history for any student education loan borrower who has provided
21 written consent for the review;

22 (c) Provide information to the public, agencies, legislators, and
23 others regarding the problems and concerns of student education loan
24 borrowers and make recommendations for resolving those problems and
25 concerns;

26 (d) Analyze and monitor the development and implementation of
27 federal, state, and local laws, rules, regulations, and policies
28 relating to student education loan borrowers and recommend any
29 changes the student loan advocate deems necessary;

30 (e) Assess the number of residents with federal student education
31 loans who have applied for, received, or are awaiting a decision on
32 forgiveness or discharge of a student education loan on a comparable
33 annual basis, subject to the availability of applicable data;

34 (f) Disseminate information concerning the availability of the
35 student loan advocate to assist student education loan borrowers and
36 potential student education loan borrowers, as well as institutions
37 of higher education, student education loan servicers, and any other
38 participant in student education loan lending, with any student
39 education loan concerns;

1 (g) Take any action reasonably calculated or intended to assist
2 student education loan borrowers, including providing assistance
3 applying for forgiveness or discharge of a student education loan and
4 communicating with a student education loan servicer to resolve a
5 complaint received by the advocate from a student education loan
6 borrower; and

7 (h) Take any other actions necessary to fulfill the duties of the
8 student loan advocate as provided in chapter 31.04 RCW and this
9 section.

10 (6) By October 1, 2020, the student loan advocate shall establish
11 and maintain a student education loan borrower education course that
12 includes educational presentations and materials regarding issues
13 surrounding student education loans. The course must include, but not
14 be limited to, key loan terms, documentation requirements, monthly
15 payment obligations, income-driven repayment options, loan
16 forgiveness, refund, and discharge, state-based tuition recovery,
17 disclosures, federal consumer information and warnings, federal
18 regulations intended to protect federal student loan borrowers,
19 options for submitting complaints to the student loan advocate and
20 state and federal agencies, and specific benefits and options for
21 military service members and veterans.

22 (7) By December 31, 2020, the council shall submit a report to
23 the appropriate committees of the legislature having jurisdiction
24 over matters relating to financial institutions and higher education.
25 The council shall report on: (a) The implementation of this section;
26 (b) the overall effectiveness of the student loan advocate; (c) the
27 types of complaints received regarding student education loan
28 borrowing, student education loan repayments and servicing, and how
29 these complaints are resolved; and (d) other data on outstanding
30 student education loan issues faced by borrowers.

31 (8) Implementation of this section by the council is subject to
32 the availability of amounts appropriated and the balance of the
33 student loan advocate account.

34 **Sec. 2.** RCW 28B.10.285 and 2017 c 154 s 2 are each amended to
35 read as follows:

36 (1) The definitions in this subsection apply throughout this
37 section unless the context clearly requires otherwise.

38 (a) "Educational institution" includes any entity that is an
39 institution of higher education as defined in RCW 28B.10.016, a

1 degree-granting institution as defined in RCW 28B.85.010, a private
2 vocational school as defined in RCW 28C.10.020, or school as defined
3 in RCW 18.16.020.

4 (b) "Student education loan" means any loan solely for personal
5 use to finance postsecondary education and costs of attendance at an
6 educational institution.

7 (~~2) ((Subject to the availability of amounts appropriated for
8 this specific purpose,))~~ An educational institution must provide to
9 an enrolled student who has applied for student financial aid a
10 notification including the following information about the student
11 education loans the educational institution has certified:

12 (a) An estimate, based on information available at the time the
13 notification is provided, of the:

14 (i) Total amount of student education loans taken out by the
15 student;

16 (ii) Potential total payoff amount of the student education loans
17 incurred or a range of the total payoff amount, including principal
18 and interest;

19 (iii) The monthly repayment amount that the student may incur for
20 the amount of student education loans the student has taken out,
21 based on the federal loan repayment plan borrowers are automatically
22 enrolled in if they do not select an alternative repayment plan;
23 (~~and~~)

24 (iv) A statement that income-driven repayment plans may allow a
25 federal student loan borrower to reduce their monthly payment
26 according to a percentage of their income, and a brief summary of the
27 potentially applicable plans; and

28 (v) Percentage of the aggregate federal direct loan borrowing
29 limit applicable to the student's program of study the student has
30 reached at the time the information is sent to the student; and

31 (b) Consumer information about the differences between private
32 student loans and federal student loans, including a brief overview
33 of the availability of income-((based)) driven repayment plans and
34 loan forgiveness programs for federal loans.

35 (3) The notification provided under subsection (2) of this
36 section must include a statement that the estimates and ranges
37 provided are general in nature and not meant as a guarantee or
38 promise of the actual projected amount. It must also include a
39 statement that a variety of repayment plans are available for federal

1 student loans that may limit the monthly repayment amount based on
2 income.

3 (4) The notification must include information about how to access
4 resources for student education loan borrowers provided by federal or
5 state agencies, such as a student education loan debt hotline and web
6 site or student ((~~education~~)) loan ((~~ombuds~~)) advocate, federal
7 student loan repayment calculator, complaint portals, or other
8 available resources. This information must include contact
9 information for the student loan advocate established pursuant to
10 section 1 of this act.

11 (5) An educational institution must provide the notification
12 required in subsection (2) of this section via email. In addition,
13 the educational institution may provide the notification in writing,
14 in an electronic format, or in person.

15 (6) An educational institution does not incur liability,
16 including for actions under chapter 19.86 RCW by the attorney
17 general, for any good faith representations made under subsection (2)
18 of this section.

19 (7) Educational institutions must begin providing the
20 notification required under subsection (2) of this section by July 1,
21 2018, each time a financial aid package that includes a new or
22 revised student education loan is offered to the student.

23 (8) Subject to the availability of amounts appropriated for this
24 specific purpose, an organization representing the public four-year
25 colleges and universities, an organization representing the private
26 nonprofit institutions, the state board for community and technical
27 colleges under chapter 28B.50 RCW, the workforce training and
28 education coordinating board as defined in RCW 28C.18.020, and the
29 department of licensing under chapter 46.01 RCW, must develop a form
30 for the educational institutions to use to report compliance by July
31 1, 2018.

32 (9) Beginning December 1, 2019, and biannually thereafter until
33 December 25, 2025, the organizations under subsection (8) of this
34 section must submit a report in compliance with RCW 43.01.036 to the
35 legislature that details how the educational institutions are in
36 compliance with this section.

37 NEW SECTION. Sec. 3. A new section is added to chapter 31.04
38 RCW to read as follows:

1 (1) The director shall establish fees by rule sufficient to cover
2 the costs of administering the department's program for student
3 education loan servicers and the student achievement council's
4 student loan advocate. These fees may include:

5 (a) An annual assessment specified in rule by the director paid
6 by each licensee on or before the annual assessment due date;

7 (b) A late fee for late payment of the annual assessment as
8 specified in rule by the director;

9 (c) Hourly investigation and examination fees to cover the costs
10 of any investigation or examination of the books and records of a
11 licensee or other person subject to this chapter;

12 (d) A nonrefundable application fee to cover the costs of
13 processing license applications made to the director under this
14 chapter;

15 (e) An initial license fee to cover the period from the date of
16 licensure to the end of the calendar year in which the license is
17 initially granted; and

18 (f) A transaction fee or set of transaction fees to cover the
19 administrative costs associated with processing changes in control,
20 changes of address, and other administrative changes as specified in
21 rule by the director.

22 (2) The director shall ensure that when an examination or
23 investigation, or any part of the examination or investigation, of
24 any licensee applicant or person subject to licensing under this
25 chapter requires travel and services outside this state by the
26 director or designee, the licensee applicant or person subject to
27 licensing under this chapter that is the subject of the examination
28 or investigation shall pay the actual travel expenses incurred by the
29 director or designee conducting the examination or investigation.

30 (3) All moneys, fees, and penalties collected for the
31 department's program for student education loan servicing shall be
32 deposited into the financial services regulation fund, except as
33 provided in RCW 43.320.110.

34 (4) The director's obligations or duties under chapter . . . ,
35 Laws of 2018 (this act) are subject to section 21 of this act.

36 **Sec. 4.** RCW 43.320.110 and 2017 3rd sp.s. c 1 s 976 are each
37 amended to read as follows:

38 (1) There is created a local fund known as the "financial
39 services regulation fund" which shall consist of all moneys received

1 by the divisions of the department of financial institutions, except
2 for the division of securities which shall deposit thirteen percent
3 of all moneys received, except as provided in RCW 43.320.115, and
4 which shall be used for the purchase of supplies and necessary
5 equipment; the payment of salaries, wages, and utilities; the
6 establishment of reserves; and other incidental costs required for
7 the proper regulation of individuals and entities subject to
8 regulation by the department. The state treasurer shall be the
9 custodian of the fund. Disbursements from the fund shall be on
10 authorization of the director of financial institutions or the
11 director's designee. In order to maintain an effective expenditure
12 and revenue control, the fund shall be subject in all respects to
13 chapter 43.88 RCW, but no appropriation is required to permit
14 expenditures and payment of obligations from the fund.

15 (2) During the ((2015-2017)) 2017-2019 fiscal biennium, the
16 legislature may transfer from the financial services regulation fund
17 to the state general fund such amounts as reflect the excess fund
18 balance of the fund. During the ((2015-2017 and)) 2017-2019 fiscal
19 ((biennia)) biennium, moneys from the financial services regulation
20 fund may be appropriated for the family prosperity account program at
21 the department of commerce and for the operations of the department
22 of revenue.

23 (3)(a) Beginning in the 2020-2021 fiscal year, the state
24 treasurer shall annually transfer from the fund to the student loan
25 advocate account created in section 5 of this act, the greater of one
26 hundred seventy-five thousand dollars or twenty percent of the annual
27 assessment derived from student education loan servicing.

28 (b) The department must provide information to the state
29 treasurer regarding the amount of the annual assessment derived from
30 student education loan servicing.

31 (4) The director's obligations or duties under chapter . . . ,
32 Laws of 2018 (this act) are subject to section 21 of this act.

33 NEW SECTION. Sec. 5. A new section is added to chapter 28B.77
34 RCW to read as follows:

35 The student loan advocate account is created in the custody of
36 the state treasurer. Expenditures from the account may be used only
37 for the purpose of covering the costs of administering the student
38 loan advocate program created in section 1 of this act. Only the
39 executive director of the council or the director's designee may

1 authorize expenditures from the account. The account is subject to
2 allotment procedures under chapter 43.88 RCW, but an appropriation is
3 not required for expenditure.

4 NEW SECTION. **Sec. 6.** A new section is added to chapter 31.04
5 RCW to read as follows:

6 (1) In addition to complying with any applicable federal program
7 requirements, a student education loan servicer must comply with the
8 following requirements:

9 (a) Any fee that is assessed by a servicer must be assessed
10 within forty-five days of the date on which the fee was incurred and
11 must be explained clearly and conspicuously in a statement mailed to
12 the borrower at the borrower's last known address no more than thirty
13 days after assessing the fee, or provided via email if the borrower
14 has assented to receive electronic communications;

15 (b) All amounts received by a servicer on a student education
16 loan at the address where the borrower has been instructed to make
17 payments must be accepted and credited, or treated as credited,
18 within one business day of the date received, provided that the
19 borrower has provided sufficient information to credit the account.
20 If a servicer uses the scheduled method of accounting, any regularly
21 scheduled payment made prior to the scheduled due date must be
22 credited no later than the due date. If any payment is received and
23 not credited, or treated as credited, the borrower must be notified
24 of the disposition of the payment within ten business days by mail at
25 the borrower's last known address. The notification must identify the
26 reason the payment was not credited or treated as credited to the
27 account, as well as any actions the borrower must take to make the
28 student education loan current;

29 (c) The servicer must make reasonable attempts to comply with a
30 borrower's request for information about the student education loan
31 account and to respond to any dispute initiated by the borrower about
32 the loan account. The servicer:

33 (i) Must maintain written or electronic records of each written
34 request for information regarding a dispute or error involving the
35 borrower's account until the student education loan is paid in full,
36 sold, or otherwise satisfied; and

37 (ii) Must provide a written statement to the borrower within
38 fifteen business days of receipt of a written request from the
39 borrower. The borrower's request must include the name and account

1 number, if any, of the borrower, a statement that the account is or
2 may be in error, and sufficient detail regarding the information
3 sought by the borrower to permit the servicer to comply. At a
4 minimum, the servicer's response to the borrower's request must
5 include the following information:

6 (A) Whether the account is current or, if the account is not
7 current, an explanation of the default and the date the account went
8 into default;

9 (B) The current balance due on the student education loan,
10 including the principal due, the amount of funds, if any, held in a
11 suspense account, if any, and whether there are any shortages known
12 to the servicer;

13 (C) The identity, address, and other relevant information about
14 the current holder, owner, or assignee of the student education loan;
15 and

16 (D) The telephone number and mailing address of a servicer
17 representative with the information and authority to answer questions
18 and resolve disputes;

19 (d) Promptly correct any errors and refund any fees assessed to
20 the borrower resulting from the servicer's error; and

21 (e) In the event that a borrower applies for or attempts to
22 certify progress toward a discharge or refund of amounts paid on
23 their federal student education loans with the United States
24 department of education, the servicer must provide explanations to
25 the borrower on any decision made with respect to their application.

26 (2) In addition, a borrower may request more detailed information
27 from a servicer, and the servicer must provide the information within
28 fifteen business days of receipt of a written request from the
29 borrower. The request must include the name and account number, if
30 any, of the borrower, a statement that the account is or may be in
31 error, and provide sufficient detail to the servicer regarding
32 information sought by the borrower. If requested by the borrower this
33 statement must include:

34 (a) A copy of the original note, or if unavailable, an affidavit
35 of lost note; and

36 (b) A statement that identifies and itemizes all fees and charges
37 assessed under the loan transaction and provides a full payment
38 history identifying in a clear and conspicuous manner all of the
39 debits, credits, application of and disbursement of all payments
40 received from or for the benefit of the borrower, and other activity

1 on the student education loan including suspense account activity, if
2 any. The period of the account history must cover at a minimum the
3 two-year period prior to the date of the receipt of the request for
4 information. If the servicer has not serviced the student education
5 loan for the entire two-year time period the servicer must provide
6 the information going back to the date on which the servicer began
7 servicing the loan, and identify the previous servicer, if known. If
8 the servicer claims that any delinquent or outstanding sums are owed
9 on the loan prior to the two-year period or the period during which
10 the servicer has serviced the student education loan, the servicer
11 must provide an account history beginning with the month that the
12 servicer claims any outstanding sums are owed on the student
13 education loan up to the date of the request for the information. The
14 borrower may request annually one statement free of charge.

15 (3) When acquiring servicing rights from another servicer, a
16 receiving servicer must:

17 (a) Notify the student education loan borrowers no more than
18 sixty days and no less than forty-five days before the effective date
19 of the transfer of the students' loans to provide them with:

20 (i) The effective date of the transfer of servicing, and the date
21 at which the receiving servicer will begin to accept payments
22 relating to the loan, if different;

23 (ii) The name, address, and toll-free telephone number for both
24 the transferring and receiving servicers' designated points of
25 contact at which the borrower can obtain answers to inquiries;

26 (iii) A statement that the transfer of servicing does not affect
27 any term or condition of the student education loan other than the
28 entity servicing the loan;

29 (iv) Information about how to obtain a payment history from both
30 the transferring or receiving servicer, including a count of payments
31 that qualify toward any forgiveness options, as applicable;

32 (v) A notification indicating whether an alternative repayment
33 plan or loan consolidation application is pending; and

34 (vi) Information about how to appropriately direct and submit a
35 complaint to the United States department of education, the student
36 loan advocate, federal student loan ombuds, and other relevant
37 federal agencies that collect borrower complaints, in the event of a
38 servicing error;

39 (b) Continue processing loan modification requests, including
40 applications for income-driven repayment, loan forgiveness, or loan

1 consolidation, received by the receiving servicer or the transferring
2 servicer during the transfer process; and

3 (c) Retain records necessary to maintain the borrower's
4 uninterrupted enrollment in their existing repayment plan.

5 (4) When transferring or selling the servicing of loans a
6 transferring servicer must:

7 (a) Notify the student education loan borrowers no more than
8 sixty days and no less than forty-five days before the effective date
9 of the transfer of the students' loans to provide them with:

10 (i) The effective date of the transfer of servicing, and the date
11 at which the transferring servicer will no longer accept payments
12 relating to the loan, if different;

13 (ii) The name, address, and toll-free telephone number for the
14 transferring and receiving servicers' designated points of contact at
15 which the borrower can obtain answers to inquiries; and

16 (iii) A statement that the transfer of servicing does not affect
17 any term or condition of the student education loan other than the
18 entity servicing the loan; and

19 (b) Inform the receiving servicer if a loan modification request
20 is pending.

21 (5) Licensees shall provide, free of charge on the licensee's web
22 site, information or links to information regarding repayment and
23 loan forgiveness options that may be available to borrowers, as well
24 as the availability of the student loan advocate to provide
25 assistance. This information or these links shall be prominently
26 placed and provided via written correspondence or email with the
27 borrower at least once per calendar year.

28 (6) In addition to keeping records in compliance with this
29 chapter and section 1 of this act, licensees shall collect, maintain,
30 and report to the department specific information about the loans in
31 the licensee's portfolio. Such information shall include, but not be
32 limited by: Loan volume, default, refinance and modification
33 information, loan type (subsidized, deferred, etc.) information, and
34 collection practices.

35 (7) The director may adopt all rules necessary to implement this
36 section. The director may, at his or her discretion, waive
37 applicability of the provisions of this section when the director
38 determines it necessary to facilitate commerce and protect consumers.

39 (8) The director's obligations or duties under chapter . . . ,
40 Laws of 2018 (this act) are subject to section 21 of this act.

1 NEW SECTION. **Sec. 7.** A new section is added to chapter 31.04
2 RCW to read as follows:

3 A student education loan servicer licensee must maintain
4 liquidity, operating reserves, and a tangible net worth in accordance
5 with generally accepted accounting principles as determined by the
6 director. The director may adopt rules to implement this section. The
7 director's obligations or duties under this section are subject to
8 section 21 of this act.

9 NEW SECTION. **Sec. 8.** A new section is added to chapter 31.04
10 RCW to read as follows:

11 (1) In addition to complying with federal and state law,
12 including all requirements under chapter 18.28 RCW and this chapter,
13 any person providing third-party student education loan modification
14 services must:

15 (a) Not charge or receive any money or other valuable
16 consideration prior to full and complete performance of the services
17 the person has agreed to perform for the borrower;

18 (b) Not charge total fees in excess of usual and customary
19 charges, or total fees that are not reasonable in light of the
20 service provided; and

21 (c) Immediately inform the borrower in writing if the owner or
22 servicer of the student education loan requires additional
23 information or documentation from the borrower, or if it becomes
24 apparent that a modification, refinancing, consolidation, or change
25 in repayment plans on the student education loan is not possible.

26 (2) As a condition for providing third-party student education
27 loan modification services, a person providing the services shall
28 not:

29 (a) Require or encourage a borrower to sign a waiver of his or
30 her legal defenses, counterclaims, and other legal rights against the
31 person for future acts;

32 (b) Represent, expressly or by implication, that funds paid to
33 the person providing third-party student education loan modification
34 services will be applied to the borrower's student education loan
35 balance;

36 (c) Require or encourage a borrower to waive his or her right to
37 receive notice before the owner or servicer of the loan initiates
38 collection proceedings;

1 (d) Require or encourage a borrower to agree to pay charges not
2 enumerated in any agreement between the borrower and the lender,
3 servicer, or owner of the loan;

4 (e) Require or encourage a borrower to:

5 (i) Cease communication with the lender, investor, loan servicer,
6 or United States department of education; or

7 (ii) Change his or her contact information to that of the third-
8 party education loan servicer or any other third party;

9 (f) Misrepresent, expressly or by implication, the availability,
10 performance, cost, or characteristics of any alternative to for-
11 profit third-party student education loan modification services
12 through which the consumer can obtain assistance with refinancing of,
13 consolidation of, application for discharge of or refund of amounts
14 paid toward, or change of repayment plans for a student education
15 loan, including communicating directly with the servicer, applying
16 through or communicating with the United States department of
17 education, communicating with any other government agency, or using
18 any nonprofit agency or program;

19 (g) Misrepresent, expressly or by implication, the amount of
20 money or the percentage of the debt amount a student education loan
21 borrower may save by engaging the person's third-party student
22 education loan modification services;

23 (h) Misrepresent, expressly or by implication, the total cost to
24 purchase the third-party student education loan modification
25 services;

26 (i) Misrepresent, expressly or by implication, the terms,
27 conditions, limitations, contingencies, or requirements to reapply or
28 recertify eligibility for any refinancing of, consolidation of, or
29 change of repayment plans for a student education loan;

30 (j) Misrepresent, expressly or by implication, any affiliation,
31 connection, or relationship with the United States department of
32 education or its contracted entities;

33 (k) Misrepresent, expressly or by implication, the impact on a
34 borrower's credit history, score, or report that will result from
35 engaging the person's third-party student education loan modification
36 services; or

37 (l) Change a borrower's login information, personal
38 identification number, or contact information on file with a servicer
39 or the United States department of education, including without
40 limitation telephone number, address, and email address.

1 (3) In any inconsistency between this chapter and chapter 18.28
2 RCW, this chapter shall control.

3 **Sec. 9.** RCW 31.04.015 and 2015 c 229 s 19 are each reenacted and
4 amended to read as follows:

5 The definitions set forth in this section apply throughout this
6 chapter unless the context clearly requires a different meaning.

7 (1) "Add-on method" means the method of precomputing interest
8 payable on a loan whereby the interest to be earned is added to the
9 principal balance and the total plus any charges allowed under this
10 chapter is stated as the loan amount, without further provision for
11 the payment of interest except for failure to pay according to loan
12 terms. The director may adopt by rule a more detailed explanation of
13 the meaning and use of this method.

14 (2) "Affiliate" means any person who, directly or indirectly
15 through one or more intermediaries, controls, or is controlled by, or
16 is under common control with another person.

17 (3) "Applicant" means a person applying for a license under this
18 chapter.

19 (4) "Borrower" means any person who consults with or retains a
20 licensee or person subject to this chapter in an effort to obtain, or
21 who seeks information about obtaining a loan, regardless of whether
22 that person actually obtains such a loan. "Borrower" includes a
23 person who consults with or retains a licensee or person subject to
24 this chapter in an effort to obtain, or who seeks information about
25 obtaining a residential mortgage loan modification, regardless of
26 whether that person actually obtains a residential mortgage loan
27 modification.

28 (5) "Department" means the state department of financial
29 institutions.

30 (6) "Depository institution" has the same meaning as in section 3
31 of the federal deposit insurance act on July 26, 2009, and includes
32 credit unions.

33 (7) "Director" means the director of financial institutions.

34 (8) "Educational institution" means any entity that is a degree-
35 granting institution as defined in RCW 28B.85.010, a private
36 vocational school as defined in RCW 28C.10.020, or school as defined
37 in RCW 18.16.020.

38 (9) "Federal banking agencies" means the board of governors of
39 the federal reserve system, comptroller of the currency, director of

1 the office of thrift supervision, national credit union
2 administration, and federal deposit insurance corporation.

3 ~~((9))~~ (10) "Individual servicing a mortgage loan" means a
4 person on behalf of a lender or servicer licensed by this state, who
5 collects or receives payments including payments of principal,
6 interest, escrow amounts, and other amounts due, on existing
7 obligations due and owing to the licensed lender or servicer for a
8 residential mortgage loan when the borrower is in default, or in
9 reasonably foreseeable likelihood of default, working with the
10 borrower and the licensed lender or servicer, collects data and makes
11 decisions necessary to modify either temporarily or permanently
12 certain terms of those obligations, or otherwise finalizing
13 collection through the foreclosure process.

14 ~~((10))~~ (11) "Insurance" means life insurance, disability
15 insurance, property insurance, involuntary unemployment insurance,
16 and such other insurance as may be authorized by the insurance
17 commissioner.

18 ~~((11))~~ (12) "License" means a single license issued under the
19 authority of this chapter.

20 ~~((12))~~ (13) "Licensee" means a person to whom one or more
21 licenses have been issued. "Licensee" also means any person, whether
22 located within or outside of this state, who fails to obtain a
23 license required by this chapter.

24 ~~((13))~~ (14) "Loan" means a sum of money lent at interest or for
25 a fee or other charge and includes both open-end and closed-end loan
26 transactions.

27 ~~((14))~~ (15) "Loan processor or underwriter" means an individual
28 who performs clerical or support duties as an employee at the
29 direction of and subject to the supervision and instruction of a
30 person licensed, or exempt from licensing, under this chapter.

31 ~~((15))~~ (16) "Making a loan" means advancing, offering to
32 advance, or making a commitment to advance funds to a borrower for a
33 loan.

34 ~~((16))~~ (17) "Mortgage broker" means the same as defined in RCW
35 19.146.010, except that for purposes of this chapter, a licensee or
36 person subject to this chapter cannot receive compensation as both a
37 consumer loan licensee making the loan and as a consumer loan
38 licensee acting as the mortgage broker in the same loan transaction.

39 ~~((17))~~ (18)(a) "Mortgage loan originator" means an individual
40 who for compensation or gain (i) takes a residential mortgage loan

1 application, or (ii) offers or negotiates terms of a residential
2 mortgage loan. "Mortgage loan originator" also includes individuals
3 who hold themselves out to the public as able to perform any of these
4 activities. "Mortgage loan originator" does not include any
5 individual who performs purely administrative or clerical tasks; and
6 does not include a person or entity solely involved in extensions of
7 credit relating to timeshare plans, as that term is defined in
8 section 101(53D) of Title 11, United States Code. For the purposes of
9 this definition, administrative or clerical tasks means the receipt,
10 collection, and distribution of information common for the processing
11 of a loan in the mortgage industry and communication with a consumer
12 to obtain information necessary for the processing of a residential
13 mortgage loan.

14 (b) "Mortgage loan originator" also includes an individual who
15 for direct or indirect compensation or gain performs residential
16 mortgage loan modification services or holds himself or herself out
17 as being able to perform residential mortgage loan modification
18 services.

19 (c) "Mortgage loan originator" does not include a person or
20 entity that only performs real estate brokerage activities and is
21 licensed or registered in accordance with applicable state law,
22 unless the person or entity is compensated by a lender, a mortgage
23 broker, or other mortgage loan originator or by any agent of such a
24 lender, mortgage broker, or other mortgage loan originator. For the
25 purposes of chapter 120, Laws of 2009, the term "real estate
26 brokerage activity" means any activity that involves offering or
27 providing real estate brokerage services to the public, including:

28 (i) Acting as a real estate agent or real estate broker for a
29 buyer, seller, lessor, or lessee of real property;

30 (ii) Bringing together parties interested in the sale, purchase,
31 lease, rental, or exchange of real property;

32 (iii) Negotiating, on behalf of any party, any portion of a
33 contract relating to the sale, purchase, lease, rental, or exchange
34 of real property, other than in connection with providing financing
35 with respect to such a transaction;

36 (iv) Engaging in any activity for which a person engaged in the
37 activity is required to be registered or licensed as a real estate
38 agent or real estate broker under any applicable law; and

39 (v) Offering to engage in any activity, or act in any capacity,
40 described in (c)(i) through (iv) of this subsection.

1 (d) This subsection does not apply to employees of a housing
2 counseling agency approved by the United States department of housing
3 and urban development unless the employees of a housing counseling
4 agency are required under federal law to be individually licensed as
5 mortgage loan originators.

6 ~~((18))~~ (19) "Nationwide mortgage licensing system" means a
7 licensing system developed and maintained by the conference of state
8 bank supervisors for licensing and registration.

9 ~~((19))~~ (20) "Officer" means an official appointed by the
10 company for the purpose of making business decisions or corporate
11 decisions.

12 ~~((20))~~ (21) "Person" includes individuals, partnerships,
13 associations, limited liability companies, limited liability
14 partnerships, trusts, corporations, and all other legal entities.

15 ~~((21))~~ (22) "Principal" means any person who controls, directly
16 or indirectly through one or more intermediaries, alone or in concert
17 with others, a ten percent or greater interest in a partnership;
18 company; association or corporation; or a limited liability company,
19 and the owner of a sole proprietorship.

20 ~~((22))~~ (23) "Registered mortgage loan originator" means any
21 individual who meets the definition of mortgage loan originator and
22 is an employee of a depository institution; a subsidiary that is
23 owned and controlled by a depository institution and regulated by a
24 federal banking agency; or an institution regulated by the farm
25 credit administration and is registered with, and maintains a unique
26 identifier through, the nationwide mortgage licensing system.

27 ~~((23))~~ (24) "Residential mortgage loan" means any loan
28 primarily for personal, family, or household use that is secured by a
29 mortgage, deed of trust, or other consensual security interest on a
30 dwelling, as defined in the truth in lending act, or residential real
31 estate upon which is constructed or intended to be constructed a
32 dwelling.

33 ~~((24))~~ (25) "Residential mortgage loan modification" means a
34 change in one or more of a residential mortgage loan's terms or
35 conditions. Changes to a residential mortgage loan's terms or
36 conditions include but are not limited to forbearances; repayment
37 plans; changes in interest rates, loan terms, or loan types;
38 capitalizations of arrearages; or principal reductions.

39 ~~((25))~~ (26) "Residential mortgage loan modification services"
40 includes negotiating, attempting to negotiate, arranging, attempting

1 to arrange, or otherwise offering to perform a residential mortgage
2 loan modification for compensation or gain. "Residential mortgage
3 loan modification services" also includes the collection of data for
4 submission to an entity performing mortgage loan modification
5 services.

6 ~~((+26))~~ (27) "S.A.F.E. act" means the secure and fair
7 enforcement for mortgage licensing act of 2008, Title V of the
8 housing and economic recovery act of 2008 ("HERA"), P.L. 110-289,
9 effective July 30, 2008.

10 ~~((+27))~~ (28) "Senior officer" means an officer of a licensee at
11 the vice president level or above.

12 ~~((+28))~~ (29) "Service or servicing a loan" means on behalf of
13 the lender or investor of a residential mortgage loan: (a) Collecting
14 or receiving payments on existing obligations due and owing to the
15 lender or investor, including payments of principal, interest, escrow
16 amounts, and other amounts due; (b) collecting fees due to the
17 servicer; (c) working with the borrower and the licensed lender or
18 servicer to collect data and make decisions necessary to modify
19 certain terms of those obligations either temporarily or permanently;
20 (d) otherwise finalizing collection through the foreclosure process;
21 or (e) servicing a reverse mortgage loan.

22 ~~((+29))~~ (30) "Service or servicing a reverse mortgage loan"
23 means, pursuant to an agreement with the owner of a reverse mortgage
24 loan: Calculating, collecting, or receiving payments of interest or
25 other amounts due; administering advances to the borrower; and
26 providing account statements to the borrower or lender.

27 ~~((+30))~~ (31) "Simple interest method" means the method of
28 computing interest payable on a loan by applying the annual
29 percentage interest rate or its periodic equivalent to the unpaid
30 balances of the principal of the loan outstanding for the time
31 outstanding.

32 (a) On a nonresidential loan each payment is applied first to any
33 unpaid penalties, fees, or charges, then to accumulated interest, and
34 the remainder of the payment applied to the unpaid balance of the
35 principal until paid in full. In using such method, interest must not
36 be payable in advance nor compounded. The prohibition on compounding
37 interest does not apply to reverse mortgage loans made in accordance
38 with the Washington state reverse mortgage act. The director may
39 adopt by rule a more detailed explanation of the meaning and use of
40 this method.

1 (b) On a residential mortgage loan payments are applied as
2 determined in the security instrument.

3 ~~((+31+))~~ (32) "Student education loan" means any loan solely for
4 personal use to finance postsecondary education and costs of
5 attendance at an educational institution. A student education loan
6 includes a loan made to refinance a student education loan. A student
7 education loan does not include an extension of credit under an open-
8 end consumer credit plan, a reverse mortgage transaction, a
9 residential mortgage transaction, or any other loan that is secured
10 by real property or a dwelling.

11 (33) "Student education loan borrower" means: (a) Any resident of
12 this state who has received or agreed to pay a student education
13 loan; or (b) any person who shares responsibility with such resident
14 for repaying the student education loan.

15 (34) "Student education loan servicer" means any person, wherever
16 located, responsible for the servicing of any student education loan
17 to any student education loan borrower.

18 (35) "Student education loan servicing" or "service a student
19 education loan" means: (a) Receiving any scheduled periodic payments
20 from a student education loan borrower pursuant to the terms of a
21 student education loan; (b) applying the payments of principal and
22 interest and such other payments with respect to the amounts received
23 from a student education loan borrower, as may be required pursuant
24 to the terms of a student education loan; (c) working with the
25 student education loan borrower to collect data, or collecting data,
26 to make decisions to modify the loan; or (d) performing other
27 administrative services with respect to a student education loan
28 including collection activities. "Student education loan servicing"
29 does not include third-party student education loan modification
30 services.

31 (36) "Third-party residential mortgage loan modification
32 services" means residential mortgage loan modification services
33 offered or performed by any person other than the owner or servicer
34 of the loan.

35 ~~((+32+))~~ (37) "Third-party service provider" means any person
36 other than the licensee or a mortgage broker who provides goods or
37 services to the licensee or borrower in connection with the
38 preparation of the borrower's loan and includes, but is not limited
39 to, credit reporting agencies, real estate brokers or salespersons,

1 title insurance companies and agents, appraisers, structural and pest
2 inspectors, or escrow companies.

3 ~~((33))~~ (38) "Third-party student education loan modification
4 services" means for compensation or other consideration by or on
5 behalf of the borrower working with the student education loan
6 borrower or his or her representative to collect data or prepare or
7 submit documents, or collecting data and preparing or submitting
8 documents, to modify, refinance, or consolidate the loan, or change
9 repayment plans.

10 (39) "Unique identifier" means a number or other identifier
11 assigned by protocols established by the nationwide mortgage
12 licensing system.

13 NEW SECTION. **Sec. 10.** A new section is added to chapter 31.04
14 RCW to read as follows:

15 (1) The following are subject to the student education loan
16 servicer requirements in this chapter, but are exempt from having to
17 obtain and maintain a license in accordance with this chapter:

18 (a) Trade, technical, vocational, or apprentice programs that
19 teach skills related to a specific job, and postsecondary schools
20 that service their own student education loans;

21 (b) Persons servicing five or fewer student education loans;

22 (c) Guarantors of federal student loans that do not also service
23 federal student loans;

24 (d) The United States or any department or agency thereof, to the
25 extent it is servicing student education loans that it originated;
26 and

27 (e) Any state, county, city, or any department or agency thereof,
28 but only to the extent it is servicing student education loans that
29 it originated.

30 (2) The department may refer to the attorney general's consumer
31 protection division complaints regarding entities subject to this
32 section.

33 **Sec. 11.** RCW 31.04.027 and 2015 c 229 s 21 are each amended to
34 read as follows:

35 (1) It is a violation of this chapter for a licensee, its
36 officers, directors, employees, or independent contractors, or any
37 other person subject to this chapter to:

1 ~~((1))~~ (a) Directly or indirectly employ any scheme, device, or
2 artifice to defraud or mislead any borrower, to defraud or mislead
3 any lender, or to defraud or mislead any person;

4 ~~((2))~~ (b) Directly or indirectly engage in any unfair or
5 deceptive practice toward any person;

6 ~~((3))~~ (c) Directly or indirectly obtain property by fraud or
7 misrepresentation;

8 ~~((4))~~ (d) Solicit or enter into a contract with a borrower that
9 provides in substance that the consumer loan company may earn a fee
10 or commission through the consumer loan company's best efforts to
11 obtain a loan even though no loan is actually obtained for the
12 borrower;

13 ~~((5))~~ (e) Solicit, advertise, or enter into a contract for
14 specific interest rates, points, or other financing terms unless the
15 terms are actually available at the time of soliciting, advertising,
16 or contracting;

17 ~~((6))~~ (f) Fail to make disclosures to loan applicants as
18 required by RCW 31.04.102 and any other applicable state or federal
19 law;

20 ~~((7))~~ (g) Make, in any manner, any false or deceptive statement
21 or representation with regard to the rates, points, or other
22 financing terms or conditions for a residential mortgage loan or
23 engage in bait and switch advertising;

24 ~~((8))~~ (h) Negligently make any false statement or knowingly and
25 willfully make any omission of material fact in connection with any
26 reports filed with the department by a licensee or in connection with
27 any investigation conducted by the department;

28 ~~((9))~~ (i) Make any payment, directly or indirectly, to any
29 appraiser of a property, for the purposes of influencing the
30 independent judgment of the appraiser with respect to the value of
31 the property;

32 ~~((10))~~ (j) Accept from any borrower at or near the time a loan
33 is made and in advance of any default an execution of, or induce any
34 borrower to execute, any instrument of conveyance, not including a
35 mortgage or deed of trust, to the lender of any ownership interest in
36 the borrower's primary dwelling that is the security for the
37 borrower's loan;

38 ~~((11))~~ (k) Obtain at the time of closing a release of future
39 damages for usury or other damages or penalties provided by law or a
40 waiver of the provisions of this chapter;

1 ~~((12))~~ (l) Advertise any rate of interest without conspicuously
2 disclosing the annual percentage rate implied by that rate of
3 interest;

4 ~~((13))~~ (m) Violate any applicable state or federal law relating
5 to the activities governed by this chapter; or

6 ~~((14))~~ (n) Make or originate loans from any unlicensed
7 location.

8 (2) It is a violation of this chapter for a student education
9 loan servicer to:

10 (a) Conduct licensable activity from any unlicensed location;

11 (b) Misrepresent or omit any material information in connection
12 with the servicing of a student education loan including, but not
13 limited to, misrepresenting the amount, nature, conditions, or terms
14 of any fee or payment due or claimed to be due on a student education
15 loan, the terms and conditions of the loan agreement, the
16 availability of loan discharge or forgiveness options, the
17 availability and terms of and process for enrolling in income-driven
18 repayment, or the borrower's obligations under the loan;

19 (c) Provide inaccurate information to a credit bureau, thereby
20 harming a student education loan borrower's creditworthiness,
21 including failing to report both the favorable and unfavorable
22 payment history of the student education loan;

23 (d) Fail to report to a consumer credit bureau at least annually
24 if the student education loan servicer regularly reports information
25 to a credit bureau;

26 (e) Refuse to communicate with an authorized representative of
27 the student education loan borrower who provides a written
28 authorization signed by the student education loan borrower. However,
29 the student education loan servicer may adopt procedures reasonably
30 related to verifying that the representative is in fact authorized to
31 act on behalf of the student education loan borrower;

32 (f) Refuse to communicate with the student education loan
33 borrower or an authorized representative of the student education
34 loan borrower;

35 (g) Apply payments made by a borrower to the outstanding balance
36 of a student education loan, or allocate a payment across a group of
37 student education loans, in a manner that does not conform with the
38 borrower's stated intent. However, this subsection (2)(g) does not
39 require application of a student education loan in a manner contrary
40 to the express terms of the promissory note;

1 (h) Fail to respond within fifteen calendar days to
2 communications from the student loan advocate, or within such
3 shorter, reasonable time as the student loan advocate may request in
4 his or her communication; or

5 (i) Fail to provide a response within fifteen calendar days to a
6 consumer complaint submitted to the servicer by the student loan
7 advocate. If necessary, a licensee may request additional time up to
8 a maximum of forty-five calendar days, provided that such request is
9 accompanied by an explanation why such additional time is reasonable
10 and necessary.

11 (3) The director's obligations or duties under chapter . . . ,
12 Laws of 2018 (this act) are subject to section 21 of this act.

13 **Sec. 12.** RCW 31.04.035 and 2013 c 29 s 4 are each amended to
14 read as follows:

15 (1) No person may make secured or unsecured loans of money or
16 things in action, or extend credit, or service or modify the terms or
17 conditions of residential mortgage loans, or service or modify
18 student education loans, without first obtaining and maintaining a
19 license in accordance with this chapter, except those exempt under
20 RCW 31.04.025 or not subject to licensure under section 10 of this
21 act.

22 (2) If a transaction violates subsection (1) of this section,
23 any:

24 (a) Nonthird-party fees charged in connection with the
25 origination of the residential mortgage loan must be refunded to the
26 borrower, excluding interest charges; and

27 (b) Fees or interest charged in the making of a nonresidential
28 loan must be refunded to the borrower.

29 (3) The director's obligations or duties under chapter . . . ,
30 Laws of 2018 (this act) are subject to section 21 of this act.

31 **Sec. 13.** RCW 31.04.093 and 2015 c 229 s 24 are each amended to
32 read as follows:

33 (1) The director must enforce all laws and rules relating to the
34 licensing and regulation of licensees and persons subject to this
35 chapter. However, the director's obligation under this subsection
36 does not arise until the rules required under section 6 of this act
37 are adopted or until January 1, 2019, whichever is sooner.

38 (2) The director may deny applications for licenses for:

1 (a) Failure of the applicant to demonstrate within its
2 application for a license that it meets the requirements for
3 licensing in RCW 31.04.045 and 31.04.055;

4 (b) Violation of an order issued by the director under this
5 chapter or another chapter administered by the director, including
6 but not limited to cease and desist orders and temporary cease and
7 desist orders;

8 (c) Revocation or suspension of a license to conduct lending
9 ~~((~~o~~))~~, residential mortgage loan servicing, student education loan
10 servicing, or to provide settlement services associated with lending
11 ~~((~~o~~))~~, residential mortgage loan servicing, or student education
12 loan servicing, by this state, another state, or by the federal
13 government within five years of the date of submittal of a complete
14 application for a license; or

15 (d) Filing an incomplete application when that incomplete
16 application has been filed with the department for sixty or more
17 days, provided that the director has given notice to the licensee
18 that the application is incomplete, informed the applicant why the
19 application is incomplete, and allowed at least twenty days for the
20 applicant to complete the application.

21 (3) The director may condition, suspend, or revoke a license
22 issued under this chapter if the director finds that:

23 (a) The licensee has failed to pay any fee due the state of
24 Washington, has failed to maintain in effect the bond or permitted
25 substitute required under this chapter, or has failed to comply with
26 any specific order or demand of the director lawfully made and
27 directed to the licensee in accordance with this chapter;

28 (b) The licensee, either knowingly or without the exercise of due
29 care, has violated any provision of this chapter or any rule adopted
30 under this chapter;

31 (c) A fact or condition exists that, if it had existed at the
32 time of the original application for the license, clearly would have
33 allowed the director to deny the application for the original
34 license; or

35 (d) The licensee failed to comply with any directive, order, or
36 subpoena issued by the director under this chapter.

37 The director may condition, revoke, or suspend only the particular
38 license with respect to which grounds for conditioning, revocation,
39 or suspension may occur or exist or the director may condition,
40 revoke, or suspend all of the licenses issued to the licensee.

1 (4) The director may impose fines of up to one hundred dollars
2 per day, per violation, upon the licensee, its employee or loan
3 originator, or other person subject to this chapter for:

4 (a) Any violation of this chapter; or

5 (b) Failure to comply with any directive, order, or subpoena
6 issued by the director under this chapter.

7 (5) The director may issue an order directing the licensee, its
8 employee or loan originator, or other person subject to this chapter
9 to:

10 (a) Cease and desist from conducting business in a manner that is
11 injurious to the public or violates any provision of this chapter;

12 (b) Take such affirmative action as is necessary to comply with
13 this chapter;

14 (c) Make a refund or restitution to a borrower or other person
15 who is damaged as a result of a violation of this chapter;

16 (d) Refund all fees received through any violation of this
17 chapter.

18 (6) The director may issue an order removing from office or
19 prohibiting from participation in the affairs of any licensee, or
20 both, any officer, principal, employee or mortgage loan originator,
21 or any person subject to this chapter for:

22 (a) False statements or omission of material information from an
23 application for a license that, if known, would have allowed the
24 director to deny the original application for a license;

25 (b) Conviction of a gross misdemeanor involving dishonesty or
26 financial misconduct or a felony;

27 (c) Suspension or revocation of a license to engage in lending
28 ~~((or)),~~ residential mortgage loan servicing, student education loan
29 servicing, or perform a settlement service related to lending or
30 residential mortgage loan servicing, in this state or another state;

31 (d) Failure to comply with any order or subpoena issued under
32 this chapter;

33 (e) A violation of RCW 31.04.027, 31.04.102, 31.04.155, or
34 31.04.221; or

35 (f) Failure to obtain a license for activity that requires a
36 license.

37 (7) Except to the extent prohibited by another statute, the
38 director may engage in informal settlement of complaints or
39 enforcement actions including, but not limited to, payment to the
40 department for purposes of financial literacy and education programs

1 authorized under RCW 43.320.150. If any person subject to this
2 chapter makes a payment to the department under this section, the
3 person may not advertise such payment.

4 (8) Whenever the director determines that the public is likely to
5 be substantially injured by delay in issuing a cease and desist
6 order, the director may immediately issue a temporary cease and
7 desist order. The order may direct the licensee to discontinue any
8 violation of this chapter, to take such affirmative action as is
9 necessary to comply with this chapter, and may include a summary
10 suspension of the licensee's license and may order the licensee to
11 immediately cease the conduct of business under this chapter. The
12 order becomes effective at the time specified in the order. Every
13 temporary cease and desist order must include a provision that a
14 hearing will be held upon request to determine whether the order will
15 become permanent. Such hearing must be held within fourteen days of
16 receipt of a request for a hearing unless otherwise specified in
17 chapter 34.05 RCW.

18 (9) A licensee may surrender a license by delivering to the
19 director written notice of surrender, but the surrender does not
20 affect the licensee's civil or criminal liability, if any, for acts
21 committed before the surrender, including any administrative action
22 initiated by the director to suspend or revoke a license, impose
23 fines, compel the payment of restitution to borrowers or other
24 persons, or exercise any other authority under this chapter. The
25 statute of limitations on actions not subject to RCW 4.16.160 that
26 are brought under this chapter by the director is five years.

27 (10) The revocation, suspension, or surrender of a license does
28 not impair or affect the obligation of a preexisting lawful contract
29 between the licensee and a borrower.

30 (11) Every license issued under this chapter remains in force and
31 effect until it has been surrendered, revoked, or suspended in
32 accordance with this chapter. However, the director may on his or her
33 own initiative reinstate suspended licenses or issue new licenses to
34 a licensee whose license or licenses have been revoked if the
35 director finds that the licensee meets all the requirements of this
36 chapter.

37 (12) A license issued under this chapter expires upon the
38 licensee's failure to comply with the annual assessment requirements
39 in RCW 31.04.085, and the rules. The department must provide notice
40 of the expiration to the address of record provided by the licensee.

1 On the 15th day after the department provides notice, if the
2 assessment remains unpaid, the license expires. The licensee must
3 receive notice prior to expiration and have the opportunity to stop
4 the expiration as set forth in rule.

5 (13) The director's obligations or duties under chapter . . . ,
6 Laws of 2018 (this act) are subject to section 21 of this act.

7 **Sec. 14.** RCW 31.04.102 and 2015 c 229 s 27 are each amended to
8 read as follows:

9 (1) For all loans made by a licensee that are not secured by a
10 lien on real property, the licensee must make disclosures in
11 compliance with the truth in lending act, 15 U.S.C. Sec. 1601 and
12 regulation Z, 12 C.F.R. Part 1026, and all other applicable federal
13 laws and regulations.

14 (2) For all loans made by a licensee that are secured by a lien
15 on real property, the licensee must provide to each borrower within
16 three business days following receipt of a loan application a written
17 disclosure containing an itemized estimation and explanation of all
18 fees and costs that the borrower is required to pay in connection
19 with obtaining a loan from the licensee. A good faith estimate of a
20 fee or cost must be provided if the exact amount of the fee or cost
21 is not available when the disclosure is provided. Disclosure in a
22 form which complies with the requirements of the truth in lending
23 act, 15 U.S.C. Sec. 1601 and regulation Z, 12 C.F.R. Part 1026, the
24 real estate settlement procedures act and regulation X, 24 C.F.R.
25 Part 1024, and all other applicable federal laws and regulations, as
26 now or hereafter amended, constitutes compliance with this disclosure
27 requirement. Each licensee must comply with all other applicable
28 federal and state laws and regulations.

29 (3) In addition, for all loans made by the licensee that are
30 secured by a lien on real property, the licensee must provide to the
31 borrower an estimate of the annual percentage rate on the loan and a
32 disclosure of whether or not the loan contains a prepayment penalty
33 within three days of receipt of a loan application. The annual
34 percentage rate must be calculated in compliance with the truth in
35 lending act, 15 U.S.C. Sec. 1601 and regulation Z, 12 C.F.R. Part
36 1024. If a licensee provides the borrower with a disclosure in
37 compliance with the requirements of the truth in lending act within
38 three business days of receipt of a loan application, then the
39 licensee has complied with this subsection. If the director

1 determines that the federal government has required a disclosure that
2 substantially meets the objectives of this subsection, then the
3 director may make a determination by rule that compliance with this
4 federal disclosure requirement constitutes compliance with this
5 subsection.

6 (4) In addition for all consumer loans made by the licensee that
7 are secured by a lien on real property, the licensee must comply with
8 RCW 19.144.020.

9 (5) In addition for all consumer loans made by a licensee that
10 are a refinance of a federal student education loan, the licensee
11 must provide to the borrower a clear and conspicuous disclosure that
12 some repayment and forgiveness options available under federal
13 student education loan programs, including without limitation income-
14 driven repayment plans, economic hardship deferments, or public
15 service loan forgiveness, will no longer be available to the borrower
16 if he or she chooses to refinance federal student education loans
17 with one or more consumer loans.

18 (6) The director's obligations or duties under chapter . . . ,
19 Laws of 2018 (this act) are subject to section 21 of this act.

20 **Sec. 15.** RCW 31.04.145 and 2015 c 229 s 29 are each amended to
21 read as follows:

22 (1) For the purpose of discovering violations of this chapter or
23 securing information lawfully required under this chapter, the
24 director may at any time, either personally or by designees,
25 investigate or examine the loans and business and, wherever located,
26 the books, accounts, records, papers, documents, files, and other
27 information used in the business of every licensee and of every
28 person (~~who is engaged in the business making or assisting in the~~
29 ~~making of loans at interest rates authorized by~~) subject to this
30 chapter, whether the person acts or claims to act as principal or
31 agent, or under or without the authority of this chapter. The
32 director or designated representative:

33 (a) Must have free access to the employees, offices, and places
34 of business, books, accounts, papers, documents, other information,
35 records, files, safes, and vaults of all such persons during normal
36 business hours;

37 (b) May require the attendance of and examine under oath all
38 persons whose testimony may be required about the loans or the
39 business or the subject matter of any investigation, examination, or

1 hearing and may require such person to produce books, accounts,
2 papers, records, files, and any other information the director or
3 designated persons deem relevant to the inquiry;

4 (c) May require by directive, subpoena, or any other lawful means
5 the production of original books, accounts, papers, records, files,
6 and other information; may require that such original books,
7 accounts, papers, records, files, and other information be copied; or
8 may make copies of such original books, accounts, papers, records,
9 files, or other information;

10 (d) May issue a subpoena or subpoena duces tecum requiring
11 attendance by any person identified in this section or compelling
12 production of any books, accounts, papers, records, files, or other
13 documents or information identified in this section.

14 (2) The director must make such periodic examinations of the
15 affairs, business, office, and records of each licensee as determined
16 by rule.

17 (3) Every licensee examined or investigated by the director or
18 the director's designee must pay to the director the cost of the
19 examination or investigation of each licensed place of business as
20 determined by rule by the director.

21 (4) In order to carry out the purposes of this section, the
22 director may:

23 (a) Retain attorneys, accountants, or other professionals and
24 specialists as examiners, auditors, or investigators to conduct or
25 assist in the conduct of examinations or investigations;

26 (b) Enter into agreements or relationships with other government
27 officials or regulatory associations in order to improve efficiencies
28 and reduce regulatory burden by sharing resources, standardized or
29 uniform methods or procedures, and documents, records, information,
30 or evidence obtained under this section;

31 (c) Use, hire, contract, or employ public or privately available
32 analytical systems, methods, or software to examine or investigate
33 the licensee, individual, or person subject to chapter 120, Laws of
34 2009;

35 (d) Accept and rely on examination or investigation reports made
36 by other government officials, within or without this state;

37 (e) Accept audit reports made by an independent certified public
38 accountant for the licensee, individual, or person subject to chapter
39 120, Laws of 2009 in the course of that part of the examination
40 covering the same general subject matter as the audit and may

1 incorporate the audit report in the report of the examination, report
2 of investigation, or other writing of the director; or

3 (f) Assess the licensee, individual, or person subject to chapter
4 120, Laws of 2009 the cost of the services in (a) of this subsection.

5 (5) The director's obligations or duties under chapter . . . ,
6 Laws of 2018 (this act) are subject to section 21 of this act.

7 **Sec. 16.** RCW 31.04.165 and 2010 c 35 s 7 are each amended to
8 read as follows:

9 (1) The director has the power, and broad administrative
10 discretion, to administer and interpret this chapter to facilitate
11 the delivery of financial services to the citizens of this state by
12 (~~consumer loan companies, residential mortgage loan servicers, and~~
13 ~~mortgage loan originators~~) persons subject to this chapter. The
14 director shall adopt all rules necessary to administer this chapter
15 and to ensure complete and full disclosure by licensees of lending
16 transactions governed by this chapter.

17 (2) If it appears to the director that a licensee is conducting
18 business in an injurious manner or is violating any provision of this
19 chapter, the director may order or direct the discontinuance of any
20 such injurious or illegal practice.

21 (3) For purposes of this section, "conducting business in an
22 injurious manner" means conducting business in a manner that violates
23 any provision of this chapter, or that creates the reasonable
24 likelihood of a violation of any provision of this chapter.

25 (4) The director or designated persons, with or without prior
26 administrative action, may bring an action in superior court to
27 enjoin the acts or practices that constitute violations of this
28 chapter and to enforce compliance with this chapter or any rule or
29 order made under this chapter. Upon proper showing, injunctive relief
30 or a temporary restraining order shall be granted. The director shall
31 not be required to post a bond in any court proceedings.

32 (5) The director's obligations or duties under chapter . . . ,
33 Laws of 2018 (this act) are subject to section 21 of this act.

34 **Sec. 17.** RCW 31.04.277 and 2015 c 229 s 34 are each amended to
35 read as follows:

36 Each consumer loan company licensee (~~who makes, services, or~~
37 ~~brokers a loan secured by real property~~) must submit call reports
38 through the nationwide mortgage licensing system (~~and registry~~) in

1 a form and containing the information prescribed by the director or
2 as deemed necessary by the nationwide mortgage licensing system ((and
3 registry)).

4 The director's obligations or duties under chapter . . . , Laws of
5 2018 (this act) are subject to section 21 of this act.

6 **Sec. 18.** RCW 31.04.310 and 2015 c 229 s 26 are each amended to
7 read as follows:

8 Upon application by the director and upon a showing that the
9 interests of borrowers or creditors so requires, the superior court
10 may appoint a receiver to take over, operate, or liquidate any
11 residential mortgage or student education loan servicer.

12 The director's obligations or duties under chapter . . . , Laws of
13 2018 (this act) are subject to section 21 of this act.

14 NEW SECTION. **Sec. 19.** (1) The Washington state institute for
15 public policy shall conduct a study on the impact and cost-
16 effectiveness of establishing a student loan authority to refinance
17 existing federal and private undergraduate and graduate student loans
18 from the proceeds of tax-exempt bonds. In conducting the study, the
19 institute shall:

20 (a) Review guidance on the subject issued by the United States
21 treasury;

22 (b) Review the structure of state-operated loan refinance
23 programs in other states;

24 (c) Analyze the categories of borrowers who have received the
25 benefit of state-operated loan refinance programs in other states,
26 including by income quintile, as available;

27 (d) Evaluate the equity impacts and effectiveness of borrower
28 requirements, such as a credit score or a loan cosigner;

29 (e) Compare any potential savings and costs to undergraduate and
30 graduate borrowers of a loan refinanced by the state as compared to
31 similarly situated borrowers of federal direct loans and private
32 loans, issued one, five, and ten years ago;

33 (f) Consider the value of repayment and forgiveness options that
34 may be lost to a borrower of a federal student education loan who
35 chooses to refinance, including income-driven repayment options,
36 economic hardship deferments, or public service loan forgiveness; and

37 (g) Prepare cost estimates for offering similar repayment and
38 forgiveness options through a state-operated student loan authority

1 as those that are available to borrowers of federal student education
2 loans to borrowers.

3 (2) The Washington state institute for public policy shall submit
4 a report on its findings to the higher education committees of the
5 legislature by December 31, 2018.

6 NEW SECTION. **Sec. 20.** A new section is added to chapter 31.04
7 RCW to read as follows:

8 The requirements of this act do not apply to any person doing
9 business under, and as permitted by, any law of this state or of the
10 United States relating to banks, savings banks, trust companies,
11 savings and loan or building and loan associations, or credit unions.

12 NEW SECTION. **Sec. 21.** The department of financial institutions
13 and the director or director's designees do not have any enforcement,
14 examination, or reporting obligations or duties under this act until
15 January 1, 2019, or until the final adoption of rules pursuant to
16 this act, whichever is sooner.

17 NEW SECTION. **Sec. 22.** If any provision of this act or its
18 application to any person or circumstance is held invalid, the
19 remainder of the act or the application of the provision to other
20 persons or circumstances is not affected.

21 NEW SECTION. **Sec. 23.** This act may be known and cited as the
22 Washington student education loan bill of rights.

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