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NEWS RELEASE

FOR IMMEDIATE RELEASE

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**CHANGES TO IDAHO LAW AFFECT MORTGAGE BROKERS, REAL ESTATE
LICENSEES, PAYDAY LENDERS AND CONSUMERS
STARTING JULY 1**

Amendment Also Made to Garnishment Procedures Involving Banks

BOISE, IDAHO – Gavin Gee, Director of the Idaho Department of Finance, announced that significant amendments to the Idaho Residential Mortgage Practices Act and the Credit Code will take effect July 1. The Residential Mortgage Practices Act regulates the 1150 Idaho licensed mortgage brokers and lenders, and the Credit Code regulates consumer lending in Idaho. A change to the garnishment laws also clarifies these procedures when they involve banks located in Idaho.

Starting July 1, real estate brokers and salespersons who, as part of the services for which they receive compensation, assist homebuyers in applying for a mortgage loan will be required to obtain a mortgage broker license from the Department of Finance. Real estate brokers and salespersons were previously exempt from the mortgage law. Other major changes to the law will provide greater enforcement authority to the Department for violations of federal mortgage laws to assist the Department in combating predatory mortgage lending, will allow the Department to name individual wrongdoers in enforcement orders, and will eliminate the requirement that mortgage brokers maintain a separate bank account for certain fees paid prior to closing. "These changes to the mortgage law were the result of a cooperative effort between the Department and the mortgage brokers and lenders," stated Gee. "We are pleased that as a result, consumers and industry members will be better served."

Another significant amendment to the mortgage law prohibits Idaho's cities and counties

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from enacting laws regarding the financial or lending activities of companies that are otherwise under the jurisdiction of the Department of Finance. Increasingly, in other states, cities and counties are passing laws designed to combat predatory lending practices of some mortgage brokers and lenders. Gee explained that these local laws create havoc with lenders who are, as a result, subjected to not only the varying laws of each state in which they do business, but also the differing city and county laws. “These laws run the risk of driving some national companies out of those markets, and denying consumers the advantage of that competition. These changes to the Mortgage Practices Act should provide greater protection to Idaho consumers, and also benefit the industry we regulate,” said Gee.

In another significant amendment, a new chapter was added to the Credit Code to specifically regulate the approximately 150 payday loan offices in Idaho. Although these lenders were previously regulated under the Code, this new chapter requires that they obtain a separate license as a payday lender, and places new restrictions on their business procedures and practices. For example, payday loans may not be renewed more than three times, clear disclosures must be made to the borrower about the cost of the loan and that additional fees will be charged if the loan is not repaid as agreed, no charges other than the fee can be added to the loan, and borrowers will have the right to rescind the loan, at no cost, for one day following the making of the loan.

Gee said that while payday loans provide an additional source of credit to consumers, they are very high cost loans that are intended to serve only short-term financial needs. “Borrowers should weigh the cost of these loans against their convenience,” Gee stated. “This new law will help borrowers make informed decisions about whether to obtain credit from a payday lender, and will provide greater consumer protection against unconscionable lending practices.”

Finally, under changes to the Idaho garnishment law, banks can designate a particular branch office to accept all garnishments on the bank by providing that designation to the Department, which will then publish a list of the designated branches on its website. “The Department is pleased to provide this service to all banks located in Idaho, and to sheriffs’ offices that are responsible for serving garnishment documents,” said Gee.

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Department of Finance press releases and other information are available on the Internet via the world wide web at <http://finance.state.id.us> and may be obtained by contacting the Department at (208) 332-8000, or toll-free in Idaho at 1-888-346-3378.