

HOUSE BILL REPORT

HB 2944

As Passed Legislature

Title: An act relating to consumer credit transactions.

Brief Description: Regulating consumer credit transactions.

Sponsor(s): Representatives Dellwo, Broback, Zellinsky, R. Johnson, Winsley, Mielke, Paris, Anderson, Dorn and Schmidt.

Brief History:

Reported by House Committee on:

Financial Institutions & Insurance, February 7, 1992, DP;
Passed House, February 17, 1992, 77-20.

Amended by Senate;

Passed Legislature.

**HOUSE COMMITTEE ON
FINANCIAL INSTITUTIONS & INSURANCE**

Majority Report: *Do pass.* Signed by 13 members:
Representatives Dellwo, Chair; Zellinsky, Vice Chair;
Broback, Ranking Minority Member; Mielke, Assistant Ranking
Minority Member; Anderson; Dorn; Inslee; R. Johnson;
R. Meyers; Paris; Schmidt; Scott; and Winsley.

Staff: John Conniff (786-7119).

Background: The Retail Installment Sales Act (RISA) limits the service charge (interest) that may be collected by a creditor. The limit depends upon the type of transaction. RISA generally divides retail installment transactions into closed-end and open-end transactions. Closed-end transactions are one-time contracts for the purchase of identified goods with a fixed repayment period, e.g. credit extended by car and boat dealers. Open-end transactions permit periodic use of credit with an open-ended repayment period, hence, its name. Open-end credit is identified as a retail charge agreement under RISA, distinguishing between retail cards and bank cards.

RISA has two basic types of interest rate limits - an indexed rate and a fixed rate. Retail and lender (non-bank) cards may not collect more than 18 percent. Closed-end loans are governed by an indexed rate of 6 percent over the bill rates for 26 week T-bills for the last market auctions

conducted during February, May, August, and November of the year prior to the date of the consumer credit transaction. However, the indexed rate is calculated differently for car and boat loans than for all other closed-end contracts for the purchase of other kinds of goods. Most closed-end loans are indexed to the quarterly T-bill rates of the preceding year. Car and boat loans are indexed to the T-bill rate for the preceding quarterly auction of T-bills. In other words, car and boat loans use a more current market index.

In addition to RISA, at least five other separate statutes regulate particular kinds of consumer credit transactions. Each statute sets a different permitted interest rate and different standards with respect to disclosures and required terms and conditions.

Summary of Bill: The interest rate limits for retail installment are repealed. Retailers may charge any rate agreed to and disclosed by contract.

A joint select committee is created to study state and federal consumer credit statutes and to develop a comprehensive state statute addressing consumer credit transactions. The committee must submit its report to the Legislature by December 1, 1994.

The repeal of interest rate limits for retail installment credit expires June 30, 1995.

Fiscal Note: Not requested.

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

Testimony For: Washington auto dealers and retailers need interest rate relief to continue financing of consumer purchases. Existing interest rate ceilings are preventing car dealers from making used car loans and loans to persons without the best credit ratings. However, the legislation should also be amended to increase the 18 percent ceiling on retail charge agreements.

Testimony Against: None.

Witnesses: (Pro): Jon V. Rogers, General Motors Acceptance Corp.; Stormy Glick, Whitneys Chevrolet/Oldsobile; Jack V. Lanford, General motors Acceptance Corp.; Bob Butts, Research Safety Industries; Jerry Gordon, Beneficial Management; Carol Fierling, Bencharge; Russ Beacock, Jean Leonard, Washington Retail Association; and Ray McAllister, Washington Retail Association.