

# HOUSE BILL REPORT

## HB 2944

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*As Reported By House Committee on:  
Financial Institutions & Insurance*

**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.

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**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:** 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 file a progress report with the Legislature in January of 1993 and a final report in January of 1994.

Closed-end retail installment sales contracts are permitted to use the 18 percent rate authorized for open-end credit agreements (retail charge cards) under the Retail Installment Sales Act.

Both the joint select committee and the change to the Retail Installment Sales Act expire July 1, 1994.

**Fiscal Note:** Not requested.

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

**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/Oldsmobile; 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.