

FINAL BILL REPORT

HB 2944

PARTIAL VETO

C 193 L 92

Brief Description: Regulating consumer credit transactions.

By Representatives Dellwo, Broback, Zellinsky, R. Johnson, Winsley, Mielke, Paris, Anderson, Dorn and Schmidt.

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Institutions & Insurance

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, for example credit extended by car and boat dealers. Open-end transactions permit periodic use of credit with an open-ended repayment period. Open-end credit is identified as a retail charge agreement under RISA. Retail credit cards and bank credit cards are subject to different interest rate limits.

RISA has two basic types of interest rate limits - a fixed rate and an indexed rate. Retail credit cards cannot exceed a fixed rate of 18 percent per year. Closed-end transactions are governed by an indexed rate of 6 percent over the average of 26 week T-bill rates for the last market auctions conducted during February, May, August, and November of the year prior to the date of the consumer credit transaction. The indexed rate for car and boat loans is indexed to the T-bill rate for the preceding quarterly auction of T-bills.

Summary: The interest rate limits for retail installment credit are repealed.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.

Votes on Final Passage:

House	77	20	
Senate	35	13	(Senate amended)
House	77	20	(House concurred)

Effective: April 2, 1992

Partial Veto Summary: Provisions creating a joint select committee on consumer credit transactions were vetoed.