
HOUSE BILL 2944

State of Washington 52nd Legislature 1992 Regular Session

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

Read first time 02/03/92. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to consumer credit transactions; reenacting and
2 amending RCW 63.14.130; and creating new sections.

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

4 NEW SECTION. **Sec. 1.** The legislature finds that the continued
5 regulation of consumer credit transactions, including the interest
6 rates that may be charged for the transactions, protects the public
7 from unfair practices and excessive interest rates. However, the
8 legislature recognizes that many of the state laws regulating consumer
9 credit transactions and interest rates have been directly or indirectly
10 superseded and supplemented by federal statutes and regulations. The
11 legislature also notes the inconsistencies and contradictions contained
12 in the many state statutes addressing consumer credit transactions.
13 Moreover, these statutes have failed to accommodate changes in both
14 commercial practices and economic conditions. In particular, some state

1 auto dealers and small retailers who do not issue retail credit cards
2 are experiencing difficulties in obtaining credit for the financing of
3 purchases by consumers because the retail rate permitted under state
4 law is less than the rate charged by large credit suppliers. It is
5 therefore the intent of the legislature to develop a single,
6 comprehensive chapter of law regulating consumer credit transactions
7 and to temporarily increase the interest rate that may be collected on
8 retail installment transactions while the legislature acts to retain,
9 modify, or repeal existing statutes regulating consumer credit
10 transactions.

11 NEW SECTION. **Sec. 2.** (1) There is hereby created a joint
12 select committee on consumer credit transactions. The committee shall
13 consist of eight voting members appointed jointly by the speaker of the
14 house of representatives and the president of the senate. The voting
15 membership shall be chosen equally from each major political caucus and
16 shall include members of the house of representatives financial
17 institutions and insurance committee, the house of representatives
18 commerce and labor committee, the senate financial institutions
19 committee, and the senate commerce and labor committee. One member of
20 the select committee appointed by the speaker of the house of
21 representatives and one member of the select committee appointed by the
22 president of the senate shall be designated to serve as cochairs of the
23 committee. Each of the speaker of the house of representatives and the
24 president of the senate may appoint three nonvoting members to
25 participate in the meetings of the joint select committee. Nonvoting
26 members shall be limited to representatives of labor, consumer, retail,
27 financial, and legal groups who possess a working knowledge of consumer
28 credit transactions. The governor may appoint a representative of the

1 executive branch with responsibility for regulating consumer loan
2 companies to serve as a nonvoting member of the select committee.

3 (2) Legislative members of the committee shall be reimbursed for
4 expenses as provided under RCW 44.04.120. Nonvoting members of the
5 committee shall serve without compensation for their service as members
6 of the committee, but may be reimbursed for their travel expenses in
7 accordance with RCW 43.03.050 and 43.03.060.

8 (3) Staff support for the joint select committee on consumer credit
9 transactions shall be provided by the senate committee services and the
10 office of program research as mutually agreed by the cochairs of the
11 joint select committee.

12 (4) The committee shall expire immediately after its presentation
13 of the final report to the legislature under section 5 of this act.

14 NEW SECTION. **Sec. 3.** (1) The joint select committee on
15 consumer credit transactions created in section 2 of this act shall
16 review state and federal statutes governing consumer credit
17 transactions and shall prepare a report:

18 (a) Summarizing federal and state statutes governing consumer
19 credit transactions;

20 (b) Identifying the state statutes preempted or superseded by
21 federal law and judicial interpretations of federal law;

22 (c) Identifying any duplication of federal statutes and regulations
23 by state statutes; and

24 (d) Identifying any inconsistency among state statutes affecting
25 consumer credit transactions.

26 (2) With the assistance of the institute for public policy, the
27 committee shall survey the professional and academic literature
28 addressing the impact of interest rate regulation on consumer credit
29 markets and shall prepare a report identifying the beneficial and

1 detrimental effects of state interest rate regulation upon state
2 consumer credit.

3 (3) The committee shall study and develop legislation creating to
4 the greatest extent possible a single, comprehensive statutory title of
5 law regulating consumer credit transactions including any regulation of
6 interest rates, service charges, and similar fees on consumer credit.

7 **Sec. 4.** RCW 63.14.130 and 1989 c 112 s 1 and 1989 c 14 s 5 are
8 each reenacted and amended to read as follows:

9 The service charge shall be inclusive of all charges incident to
10 investigating and making the retail installment contract or charge
11 agreement and for the privilege of making the installment payments
12 thereunder and no other fee, expense or charge whatsoever shall be
13 taken, received, reserved or contracted therefor from the buyer.

14 (1) Except as provided in subsections (2) and (3) of this section,
15 the service charge, in a retail installment contract, shall not exceed
16 the highest of the following:

17 (a) A rate on outstanding unpaid balances which exceeds six
18 percentage points above the average, rounded to the nearest one-quarter
19 of one percent, of the equivalent coupon issue yields (as published by
20 the Board of Governors of the Federal Reserve System) of the bill rates
21 for twenty-six week treasury bills for the last market auctions
22 conducted during February, May, August, and November of the year prior
23 to the year in which the retail installment contract is executed;
24 (~~or~~)

25 (b) One and one-half percent per month on the outstanding unpaid
26 balances for contracts entered into between July 1, 1992, and July 1,
27 1994; or

28 (c) Ten dollars.

1 (2) The service charge in a retail installment contract for the
2 purchase of a motor vehicle shall not exceed the highest of the
3 following:

4 (a) A rate on outstanding unpaid balances which exceeds six
5 percentage points above the average, rounded to the nearest one-quarter
6 of one percent, of the equivalent coupon issue yield (as published by
7 the Board of Governors of the Federal Reserve System) of the bill rate
8 for twenty-six week treasury bills for the last market auction
9 conducted during February, May, August, or November, as the case may
10 be, prior to the quarter in which the retail installment contract for
11 purchase of the motor vehicle is executed; (~~or~~)

12 (b) One and one-half percent per month on the outstanding unpaid
13 balances for contracts entered into between July 1, 1992, and July 1,
14 1994; or

15 (c) Ten dollars.

16 As used in this subsection, "motor vehicle" means every device
17 capable of being moved upon a public highway and in, upon, or by which
18 any person or property is or may be transported or drawn upon a public
19 highway, except for devices moved by human or animal power or used
20 exclusively upon stationary rails or tracks.

21 (3) The service charge in a retail installment contract for the
22 purchase of a vessel shall not exceed the highest of the following:

23 (a) A rate on outstanding balances which exceeds six percentage
24 points above the average, rounded to the nearest one-quarter of one
25 percent, of the equivalent coupon issue yield, as published by the
26 federal reserve bank of San Francisco, of the bill rate for twenty-six
27 week treasury bills for the last market auction conducted prior to the
28 quarter in which the retail installment contract for purchase of the
29 vessel is expected; (~~or~~)

1 (b) One and one-half percent per month on the outstanding unpaid
2 balances for contracts entered into between July 1, 1992, and July 1,
3 1994; or

4 (c) Ten dollars.

5 As used in this subsection, "vessel" means any watercraft used or
6 capable of being used as a means of transportation on the water, other
7 than a seaplane.

8 (4) The service charge in a retail charge agreement, revolving
9 charge agreement, lender credit card agreement, or charge agreement,
10 shall not exceed one and one-half percent per month on the outstanding
11 unpaid balances. If the service charge so computed is less than one
12 dollar for any month, then one dollar may be charged.

13 (5) A service charge may be computed on the median amount within a
14 range which does not exceed ten dollars and which is a part of a
15 published schedule of consecutive ranges applied to an outstanding
16 balance, provided the median amount is used in computing the service
17 charge for all balances within such range.

18 NEW SECTION. **Sec. 5.** The joint select committee on consumer
19 credit transactions shall present a written progress report to the
20 legislature by January 1, 1993, and a final report by January 1, 1994.