

**SENATE BILL REPORT**

**SSB 5686**

**AS PASSED SENATE, MARCH 11, 1993**

**Brief Description:** Limiting the penalty charge for late payment of a credit card balance.

**SPONSORS:** Senate Committee on Labor & Commerce (originally sponsored by Senators Williams and Pelz)

**SENATE COMMITTEE ON LABOR & COMMERCE**

**Majority Report:** That Substitute Senate Bill No. 5686 be substituted therefor, and the substitute bill do pass.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Fraser, Pelz, Sutherland, Vognild, and Wojahn.

**Staff:** Benson Porter (786-7470)

**Hearing Dates:** February 26, 1993; March 2, 1993

**HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**BACKGROUND:**

Under Washington's Retail Installment Act, the holder of a retail installment contract, retail charge agreement, or lender (nonbank) credit card may only collect a delinquency or collection charge if two conditions are met. The contract or agreement must provide for the collection of these charges, and the charges must be reasonable. In addition, the holder may only collect an attorney's fee when these credit agreements are collected by an attorney who is not a salaried employee of the holder.

Concern has been expressed that the "reasonableness" limitation on delinquency charges is inadequate.

**SUMMARY:**

The maximum delinquency charge for retail charge agreements and lender credit cards is 10 percent of the average balance of the delinquent account for the prior 30-day period when this balance is less than \$100. However, a minimum charge of up to \$2 is authorized.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR (original bill):**

The current requirement that delinquency charges must be reasonable is not adequate. The imposition of some charges on low balance accounts is excessive and should be subject to specific limits.

**TESTIMONY AGAINST (original bill):**

Limiting the creditor's ability to recover delinquency and collection charges could impair the creditor's ability to recover their costs of collection and limit the availability of retailers willing to extend credit.

**TESTIFIED:** Senator Al Williams, prime sponsor; Jeff Cox, Washington Retail Association (con)

**HOUSE AMENDMENT(S):**

The limitation on delinquency charges applies to accounts that are not past due by more than ten days. In addition, the limitation does not apply to accounts past due more than 30 days.