

SENATE BILL REPORT

SB 5686

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, MARCH 2, 1993

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

SPONSORS: 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

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 and collection charges is inadequate.

SUMMARY:

The maximum delinquency or collection 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.

EFFECT OF PROPOSED SUBSTITUTE:

The maximum charge specified in the bill is only applied to delinquency charges. In addition, 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)