

HOUSE BILL REPORT

HB 1182

As Reported By House Committee On:

Law & Justice

Title: An act relating to the uniform commercial code.

Brief Description: Modifying the uniform commercial code.

Sponsors: Representatives Hickel and Appelwick.

Brief History:

Committee Activity:

Law & Justice: 1/25/95, 1/31/95 [DPS].

HOUSE COMMITTEE ON LAW & JUSTICE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Padden, Chair; Delvin, Vice Chair; Hickel, Vice Chair; Appelwick, Ranking Minority Member; Costa, Assistant Ranking Minority Member; Carrell; Chappell; Cody; Lambert; McMahan; Morris; Robertson; Sheahan; Smith and Veloria.

Staff: Pat Shelledy (786-7149).

Background: The Uniform Commercial Code (UCC) governs commercial transactions. The UCC is divided into 11 articles. Several provisions in various articles contain cross- references to other provisions in other articles. In 1993, the Legislature substantially revised Articles 3 and 4 in accordance with recommendations of the National Conference of Commissioners on Uniform State Laws. The 1993 act did not amend some provisions of the UCC that contain cross-references to sections that were amended or repealed by the 1993 act.

Two conflicting provisions of law govern imposition and calculation of interest on commercial instruments. The long standing rule in Washington is that a loan bears interest at 12 per cent per annum unless the parties agree in writing to another rate. RCW 19.52.010. However, a provision in the UCC that governs negotiable instruments provides that unless otherwise provided in the instrument, an instrument is not payable with interest. The provision further provides that if the instrument allows for interest but does specify the rate, the rate will be set at the judgment rate

in effect at the place of payment and at the time interest first accrues. RCW 62A.3-112.

Summary of Substitute Bill: Technical changes to the Uniform Commercial Code are made to update cross-references, delete references to repealed sections, and reflect name changes.

The two conflicting provisions of law governing imposition and calculation of interest are reconciled by including a reference in the UCC provision governing interest on instruments to the Washington rule regarding imposition and calculation of interest on loans.

Substitute Bill Compared to Original Bill: A new provision is added concerning imposition and calculation of interest on commercial instruments.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The bill is purely a technical cleanup bill.

Testimony Against: None.

Testified: Daniel Ritter, Washington State Bar Association (pro).