

# HOUSE BILL REPORT

## HB 2054

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### As Reported By House Committee On:

Financial Institutions & Insurance

**Title:** An act relating to the financing of goods by sellers of the goods.

**Brief Description:** Regulating sellers who finance the goods they sell.

**Sponsors:** Representatives Quall, Benson, Hatfield and Cairnes.

### Brief History:

#### Committee Activity:

Financial Institutions & Insurance: 2/23/99, 2/25/99 [DPS].

#### Brief Summary of Substitute Bill

- Clarifies disclosures when negative equity on trade-ins is included in the principal of a new retail loan, and makes state law consistent with federal law.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Benson, Republican Co-Chair; Hatfield, Democratic Co-Chair; Bush, Republican Vice Chair; McIntire, Democratic Vice Chair; Barlean; Cairnes; DeBolt; Keiser; Quall; Santos; Sullivan and Talcott.

**Staff:** Charlie Gavigan (786-7340).

### Background:

Retail installment contracts are regulated by state law. These are transactions between a particular retailer and a consumer, such as a department store or automobile dealer installment contracts. State law generally requires that retail installment contracts provide certain disclosures, describes the contents of an installment contract, and prohibits certain practices related to installment contracts. Federal Truth-in-Lending provisions also apply to retail installment contracts.

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**Summary of Substitute Bill:**

The principal balance, which basically is the amount borrowed, can include amounts paid by the retailer to pay off a loan on similar goods that are traded in as part of the sale. The portion of the principal that is used to pay off the loan on a trade-in must be disclosed in the installment contract.

**Substitute Bill Compared to Original Bill:**

The substitute bill makes technical corrections.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** (Original Bill) This bill is needed to clarify disclosures in retail installment transactions involving a trade-in that has negative equity and the negative equity is included in the principal of the retail installment transaction. This makes state law consistent with federal Truth-in-Lending requirements.

**Testimony Against:** None.

**Testified:** (In support) Janet Ramble, Washington State Auto Dealers Association; and Steve Blankenship and Steve Buckner, Ford Motor Company.