
SENATE BILL 5541

State of Washington

58th Legislature

2003 Regular Session

By Senators Keiser, Prentice and Winsley

Read first time 01/29/2003. Referred to Committee on Financial Services, Insurance & Housing.

1 AN ACT Relating to prepayment of unpaid time balance; and amending
2 RCW 63.14.080.

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

4 **Sec. 1.** RCW 63.14.080 and 1967 c 234 s 5 are each amended to read
5 as follows:

6 For the purpose of this section "periodic time balance" means the
7 unpaid portion of the time balance as of the last day of each month, or
8 other uniform time interval established by the regular consecutive
9 payment period scheduled in a retail installment contract.

10 Notwithstanding the provisions of any retail installment contract
11 to the contrary, and if the rights of the purchaser have not been
12 terminated or forfeited under the terms of the contract, any buyer may
13 prepay in full the unpaid portion of the time balance thereof at any
14 time before its final due date and, if ((he)) the buyer does so, he or
15 she shall receive a refund credit of the unearned portion of the
16 service charge for such prepayment. The amount of such refund credit
17 shall be computed (~~according to the "rule of seventy eighths", that is~~
18 ~~it shall represent at least as great a portion of the original service~~
19 ~~charge, as the sum of the periodic time balances not yet due bears to~~

1 ~~the sum of all the periodic time balances under the schedule of~~
2 ~~payments in the contract: PROVIDED, That where the earned service~~
3 ~~charge (total service charge minus refund credit) thus computed is less~~
4 ~~than the following minimum service charge: fifteen dollars where the~~
5 ~~principal balance is not in excess of two hundred and fifty dollars,~~
6 ~~twenty five dollars where the principal balance exceeds two hundred and~~
7 ~~fifty dollars but is not in excess of five hundred dollars, thirty~~
8 ~~seven dollars and fifty cents where the principal balance exceeds five~~
9 ~~hundred dollars but is not in excess of one thousand dollars, and fifty~~
10 ~~dollars where the principal balance exceeds one thousand dollars; then~~
11 ~~such minimum service charge shall be deemed to be the earned service~~
12 ~~charge: AND PROVIDED FURTHER, That where the amount of such refund~~
13 ~~credit is less than one dollar, no refund credit need be made)) using~~
14 ~~the actuarial method, unless a sum equal to two or more installments~~
15 ~~has been prepaid and the account is not in arrears and continues to be~~
16 ~~paid ahead, in which case the interest on the account must be~~
17 ~~recalculated by the simple interest method with the refund of unearned~~
18 ~~interest made as if the contract had been made using the simple~~
19 ~~interest method. When computing an actuarial refund, the seller may~~
20 ~~round the annual rate used to the nearest quarter of one percent.~~

21 In computing a required refund of unearned interest, a prepayment
22 made on or before the fifteenth day after the scheduled payment date is
23 deemed to have been made on the payment date preceding the prepayment.
24 In the case of prepayment before the first installment due date, the
25 seller may retain an amount not to exceed one-thirtieth of the first
26 month's interest charge for each day between the origination date of
27 the contract and the actual date of prepayment.

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