

SENATE BILL REPORT

SHB 2863

As of February 14, 2006

Title: An act relating to retail installment contracts for motor vehicles.

Brief Description: Requiring lenders to consider retail installment contracts for the purchase of motor vehicles.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Kirby, Roach, Ericks, McDonald, Simpson and Santos).

Brief History: Passed House: 2/14/06, 96-2.

Committee Activity: Financial Institutions, Housing & Consumer Protection:

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Staff: Jennifer Arnold (786-7471)

Background: A retail installment sales contract is used when a buyer purchases a motor vehicle from a dealer and the buyer requests that the dealer provide financing for the vehicle. Generally, the dealer then assigns or sells these contracts to a financial institution as soon as the purchase transaction for the vehicle is complete. Financial institutions often compete to purchase such contracts from dealers, with the best offer ultimately establishing the interest rate and fees that the buyer pays on the motor vehicle loan.

Currently, lenders are not required to consider, or review, generic forms of retail sales contracts.

However, it is believed that there is a need for dealers, who are securing financing for their customers, to have the ability to "shop" single, or generic, contracts to multiple lenders; this would increase competition and allow lower interest rates and fees to be passed on to the motor vehicle consumer.

Summary of Bill: Retail installment contracts for the purchase of a motor vehicle that meet applicable federal and state law requirements are required to be considered by lenders.

The provisions of this bill do not apply to retail installment contracts from consumer loan companies.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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