

# SENATE BILL REPORT

## SB 6570

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As Reported By Senate Committee On:  
Financial Institutions, Housing & Consumer Protection, January 31, 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:** Senators Fairley, Benton, Berkey and Honeyford.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Consumer Protection: 1/26/06, 1/31/06 [DPS].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

**Majority Report:** That Substitute Senate Bill No. 6570 be substituted therefor, and the substitute bill do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benton, Ranking Minority Member; Benson, Brandland, Finkbeiner, Franklin, Keiser, Schmidt and Spanel.

**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 Substitute 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.

**Substitute Bill Compared to Original Bill:** The bill as referred to committee was not considered.

**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.

**Testimony For:** This bill is beneficial to both consumers and dealers. It allows dealers to use a single retail installment sales contract, which reduces paperwork and avoids requiring different contracts to be signed for different lenders. Further, this allows dealers to obtain more competitive rates and fees from lenders and then pass those savings on to the customers.

**Testimony Against:** None.

**Who Testified:** PRO: Scott Hazelgrove, Washington State Auto Dealers Association.