
HOUSE BILL 1270

State of Washington

60th Legislature

2007 Regular Session

By Representatives Kirby, Roach and Moeller

Read first time 01/16/2007. Referred to Committee on Insurance,
Financial Service & Consumer Protection.

1 AN ACT Relating to the duration period of loans made under the
2 consumer loan act; and amending RCW 31.04.125.

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

4 **Sec. 1.** RCW 31.04.125 and 1995 c 9 s 1 are each amended to read as
5 follows:

6 ~~(1) ((No licensee may make a loan with a repayment period greater
7 than six years and fifteen days after the loan origination date except
8 for open end loans or loans secured by real estate or personal property
9 used as a residence.~~

10 ~~(2))~~ No licensee may make a loan using any method of calculating
11 interest other than the simple interest method; except that the add-on
12 method of calculating interest may be used for a loan not secured by
13 real property or personal property used as a residence when the
14 repayment period does not exceed three years and fifteen days after the
15 loan origination date.

16 ~~((3))~~ (2) No licensee may make a loan using the add-on method to
17 calculate interest that does not provide for a refund to the borrower
18 or a credit to the borrower's account of any unearned interest when the
19 loan is repaid before the original maturity date in full by cash, by a

1 new loan, by refinancing, or otherwise before the final due date. The
2 refund must be calculated using the actuarial method, unless a sum
3 equal to two or more installments has been prepaid and the account is
4 not in arrears and continues to be paid ahead, in which case the
5 interest on the account must be recalculated by the simple interest
6 method with the refund of unearned interest made as if the loan had
7 been made using the simple interest method. When computing an
8 actuarial refund, the lender may round the annual rate used to the
9 nearest quarter of one percent.

10 In computing a required refund of unearned interest, a prepayment
11 made on or before the fifteenth day after the scheduled payment date is
12 deemed to have been made on the payment date preceding the prepayment.
13 In the case of prepayment before the first installment due date, the
14 company may retain an amount not to exceed one-thirtieth of the first
15 month's interest charge for each day between the origination date of
16 the loan and the actual date of prepayment.

17 ~~((+4))~~ (3) No licensee may provide credit life or disability
18 insurance in an amount greater than that required to pay off the total
19 balance owing on the date of the borrower's death net of refunds in the
20 case of credit life insurance, or all minimum payments that become due
21 on the loan during the covered period of disability in the case of
22 credit disability insurance. The lender may not require any such
23 insurance.

24 ~~((+5))~~ (4) Except in the case of loans by mail, where the borrower
25 has sufficient time to review papers before returning them, no licensee
26 may prepare loan papers in advance of the loan closing without having
27 reviewed with the borrower the terms and conditions of the loan to
28 include the type and amount of insurance, if any, requested by the
29 borrower.

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