

FINAL BILL REPORT

SSB 5406

C 249 L 95

Synopsis as Enacted

Brief Description: Continuing market interest rates for consumer credit transactions.

Sponsors: Senate Committee on Financial Institutions & Housing (originally sponsored by Senators Prentice, Sellar and C. Anderson).

Senate Committee on Financial Institutions & Housing
House Committee on Financial Institutions & Insurance

Background: The Retail Installment Sales Act (RISA) governs the financing of retail purchases in Washington State. RISA divides retail credit into two types of transactions, open-ended and closed-ended transactions.

The primary difference between an open-ended and closed-ended transaction is the existence of restraints on the use of the borrowed money. Open-ended retail transactions generally involve an open line of credit through a revolving account at a particular store. A common type of open-ended retail transaction involves credit cards issued by a retailer that allow a consumer to purchase any goods up to a certain dollar limit. In comparison, closed-ended transactions involve the issuance of credit by a particular store to enable the consumer to purchase a certain item. An example of a closed-ended account would be a furniture store extending credit to a person to pay for a piece of furniture and allowing the person to repay the credit over a specified number of months.

In 1992, the Legislature removed the interest rate cap on retail installment sales transactions. Before the repeal, the laws governing retail installment sales established the maximum charges collected on certain retail transactions. As such, various formulas applied for computing the maximum charge depending on the type of goods involved and whether the contract involved an open-ended or closed-ended transaction. Currently, the contract rate of interest agreed to by the parties applies to all open-ended and closed-ended transactions.

The repeal of the interest rate cap on retail installment transactions expires June 30, 1995. It is suggested that the expiration of the provision that removes the cap on interest rates should be repealed.

Summary: The expiration of the provision that removes the cap on interest rates is repealed.

The interest rate cap on retail installment sales transactions is repealed.

Courts are authorized to remedy unconscionable retail financing agreements. A charge or practice expressly permitted by the Retail Installment Sales Act is not in itself unconscionable.

This act applies prospectively only.

Votes on Final Passage:

Senate	46	3	
House	94	2	(House amended)
Senate	41	3	(Senate concurred)

Effective: May 5, 1995