
SUBSTITUTE HOUSE BILL 2054

State of Washington

56th Legislature

1999 Regular Session

By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Quall, Benson, Hatfield and Cairnes)

Read first time 03/01/1999.

1 AN ACT Relating to the financing of goods by sellers of the goods;
2 and amending RCW 63.14.010, 63.14.040, 63.14.110, and 63.14.130.

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

4 **Sec. 1.** RCW 63.14.010 and 1997 c 331 s 6 are each amended to read
5 as follows:

6 In this chapter, unless the context otherwise requires:

7 (1) "Goods" means all chattels personal when purchased primarily
8 for personal, family, or household use and not for commercial or
9 business use, but not including money or, except as provided in the
10 next sentence, things in action. The term includes but is not limited
11 to merchandise certificates or coupons, issued by a retail seller, to
12 be used in their face amount in lieu of cash in exchange for goods or
13 services sold by such a seller and goods which, at the time of sale or
14 subsequently, are to be so affixed to real property as to become a part
15 thereof, whether or not severable therefrom;

16 (2) "Lender credit card" means a card or device under a lender
17 credit card agreement pursuant to which the issuer gives to a
18 cardholder residing in this state the privilege of obtaining credit
19 from the issuer or other persons in purchasing or leasing property or

1 services, obtaining loans, or otherwise, and the issuer of which is
2 not: (a) Principally engaged in the business of selling goods; or (b)
3 a financial institution;

4 (3) "Lender credit card agreement" means an agreement entered into
5 or performed in this state prescribing the terms of retail installment
6 transactions pursuant to which the issuer may, with the buyer's
7 consent, purchase or acquire one or more retail sellers' indebtedness
8 of the buyer under a sales slip or memorandum evidencing the purchase,
9 lease, loan, or otherwise to be paid in accordance with the agreement.
10 The issuer of a lender credit card agreement shall not be principally
11 engaged in the business of selling goods or be a financial institution;

12 (4) "Financial institution" means any bank or trust company, mutual
13 savings bank, credit union, or savings and loan association organized
14 pursuant to the laws of any one of the United States of America or the
15 United States of America, or the laws of a foreign country if also
16 qualified to conduct business in any one of the United States of
17 America or pursuant to the laws of the United States of America;

18 (5) "Services" means work, labor, or services of any kind when
19 purchased primarily for personal, family, or household use and not for
20 commercial or business use whether or not furnished in connection with
21 the delivery, installation, servicing, repair, or improvement of goods
22 and includes repairs, alterations, or improvements upon or in
23 connection with real property, but does not include services for which
24 the price charged is required by law to be determined or approved by or
25 to be filed, subject to approval or disapproval, with the United States
26 or any state, or any department, division, agency, officer, or official
27 of either as in the case of transportation services;

28 (6) "Retail buyer" or "buyer" means a person who buys or agrees to
29 buy goods or obtain services or agrees to have services rendered or
30 furnished, from a retail seller;

31 (7) "Retail seller" or "seller" means a person engaged in the
32 business of selling goods or services to retail buyers;

33 (8) "Retail installment transaction" means any transaction in which
34 a retail buyer purchases goods or services from a retail seller
35 pursuant to a retail installment contract, a retail charge agreement,
36 or a lender credit card agreement, as defined in this section, which
37 provides for a service charge, as defined in this section, and under
38 which the buyer agrees to pay the unpaid principal balance in one or
39 more installments or which provides for no service charge and under

1 which the buyer agrees to pay the unpaid balance in more than four
2 installments;

3 (9) "Retail installment contract" or "contract" means a contract,
4 other than a retail charge agreement, a lender credit card agreement,
5 or an instrument reflecting a sale made pursuant thereto, entered into
6 or performed in this state for a retail installment transaction. The
7 term "retail installment contract" may include a chattel mortgage, a
8 conditional sale contract, and a contract in the form of a bailment or
9 a lease if the bailee or lessee contracts to pay as compensation for
10 their use a sum substantially equivalent to or in excess of the value
11 of the goods sold and if it is agreed that the bailee or lessee is
12 bound to become, or for no other or a merely nominal consideration, has
13 the option of becoming the owner of the goods upon full compliance with
14 the provisions of the bailment or lease. The term "retail installment
15 contract" does not include: (a) A "consumer lease," heretofore or
16 hereafter entered into, as defined in RCW 63.10.020; (b) a lease which
17 would constitute such "consumer lease" but for the fact that: (i) It
18 was entered into before April 29, 1983; (ii) the lessee was not a
19 natural person; (iii) the lease was not primarily for personal, family,
20 or household purposes; or (iv) the total contractual obligations
21 exceeded twenty-five thousand dollars; or (c) a lease-purchase
22 agreement under chapter 63.19 RCW;

23 (10) "Retail charge agreement," "revolving charge agreement," or
24 "charge agreement" means an agreement between a retail buyer and a
25 retail seller that is entered into or performed in this state and that
26 prescribes the terms of retail installment transactions with one or
27 more sellers which may be made thereunder from time to time and under
28 the terms of which a service charge, as defined in this section, is to
29 be computed in relation to the buyer's unpaid balance from time to
30 time;

31 (11) "Service charge" however denominated or expressed, means the
32 amount which is paid or payable for the privilege of purchasing goods
33 or services to be paid for by the buyer in installments over a period
34 of time. It does not include the amount, if any, charged for insurance
35 premiums, delinquency charges, attorneys' fees, court costs, any
36 vehicle dealer administrative fee under RCW 46.12.042, or official
37 fees;

38 (12) "Sale price" means the price for which the seller would have
39 sold or furnished to the buyer, and the buyer would have bought or

1 obtained from the seller, the goods or services which are the subject
2 matter of a retail installment transaction. The sale price may include
3 any taxes, registration and license fees, any vehicle dealer
4 administrative fee, and charges for transferring vehicle titles,
5 delivery, installation, servicing, repairs, alterations, or
6 improvements;

7 (13) "Official fees" means the amount of the fees prescribed by law
8 and payable to the state, county, or other governmental agency for
9 filing, recording, or otherwise perfecting, and releasing or
10 satisfying, a retained title, lien, or other security interest created
11 by a retail installment transaction;

12 (14) "Time balance" means the principal balance plus the service
13 charge;

14 (15) "Principal balance" means the sale price of the goods or
15 services which are the subject matter of a retail installment contract
16 less the amount of the buyer's down payment in money or goods or both,
17 plus the amounts, if any, included therein, if a separate identified
18 charge is made therefor and stated in the contract, for insurance, any
19 vehicle dealer administrative fee, and official fees; and the amount
20 actually paid or to be paid by the retail seller pursuant to an
21 agreement with the buyer to discharge a security interest or lien on
22 like-kind goods traded in or lease interest in the circumstance of a
23 lease for like goods being terminated in conjunction with the sale
24 pursuant to a retail installment contract;

25 (16) "Person" means an individual, partnership, joint venture,
26 corporation, association, or any other group, however organized;

27 (17) "Rate" means the percentage which, when multiplied times the
28 outstanding balance for each month or other installment period, yields
29 the amount of the service charge for such month or period.

30 **Sec. 2.** RCW 63.14.040 and 1981 c 77 s 3 are each amended to read
31 as follows:

32 (1) The retail installment contract shall contain the names of the
33 seller and the buyer, the place of business of the seller, the
34 residence or other address of the buyer as specified by the buyer and
35 a description or identification of the goods sold or to be sold, or
36 service furnished or rendered or to be furnished or rendered. The
37 contract also shall contain the following items, which shall be set
38 forth in the sequence appearing below:

1 ~~((1))~~(a) The sale price of each item of goods or services;
2 ~~((2))~~(b) The amount of the buyer's down payment, if any,
3 identifying the amounts paid in money and allowed for goods traded in;
4 ~~((3))~~(c) The difference between items ~~((1))~~(a) and ~~((2))~~(b);
5 ~~((4))~~(d) The aggregate amount, if any, included for insurance,
6 specifying the type or types of insurance and the terms of coverage;
7 ~~((5))~~(e) The aggregate amount of official fees, if any;
8 ~~((6))~~(f) The amount, if any, actually paid or to be paid by the
9 retail seller pursuant to an agreement with the buyer to discharge a
10 security interest or lien on like-kind goods traded in or lease
11 interest in the circumstance of a lease for like goods being terminated
12 in conjunction with the sale pursuant to a retail installment contract;
13 (g) The principal balance, which is the sum of items ~~((3))~~(c),
14 ~~((4))~~(d) ~~(and ~~(5))~~)~~, (e), and (f);
15 ~~((7)(g))~~ (h) The dollar amount or rate of the service charge;
16 ~~((8)(h))~~ (i) The amount of the time balance owed by the buyer to
17 the seller, which is the sum of items ~~((6)(f))~~ (g) and ~~((7)(g))~~
18 (h), if ~~((7)(g))~~ (h) is stated in a dollar amount; and
19 ~~((9)(i))~~ (j) Except as otherwise provided in the next two
20 sentences, the maximum number of installment payments required and the
21 amount of each installment and the due date of each payment necessary
22 to pay such balance. If installment payments other than the final
23 payment are stated as a series of equal scheduled amounts and if the
24 amount of the final installment payment does not substantially exceed
25 the scheduled amount of each preceding installment payment, the maximum
26 number of payments and the amount and due date of each payment need not
27 be separately stated and the amount of the scheduled final installment
28 payment may be stated as the remaining unpaid balance. The due date of
29 the first installment payment may be fixed by a day or date or may be
30 fixed by reference to the date of the contract or to the time of
31 delivery or installation.

32 Additional items may be included to explain the calculations
33 involved in determining the balance to be paid by the buyer.

34 (2) Every retail installment contract shall contain the following
35 notice in ten point bold face type or larger directly above the space
36 reserved in the contract for the signature of the buyer: "NOTICE TO
37 BUYER:

1 (a) Do not sign this contract before you read it or if any spaces
2 intended for the agreed terms, except as to unavailable information,
3 are blank.

4 (b) You are entitled to a copy of this contract at the time you
5 sign it.

6 (c) You may at any time pay off the full unpaid balance due under
7 this contract, and in so doing you may receive a partial rebate of the
8 service charge.

9 (d) The service charge does not exceed% (must be filled in)
10 per annum computed monthly.

11 (e) You may cancel this contract if it is solicited in person, and
12 you sign it, at a place other than the seller's business address shown
13 on the contract, by sending notice of such cancellation by certified
14 mail return receipt requested to the seller at his address shown on the
15 contract which notice shall be posted not later than midnight of the
16 third day (excluding Sundays and holidays) following your signing this
17 contract. If you choose to cancel this contract, you must return or
18 make available to the seller at the place of delivery any merchandise,
19 in its original condition, received by you under this contract."

20 Clause (2)(e) needs to be included in the notice only if the
21 contract is solicited in person by the seller or his representative,
22 and the buyer signs it, at a place other than the seller's business
23 address shown on the contract.

24 **Sec. 3.** RCW 63.14.110 and 1967 c 234 s 6 are each amended to read
25 as follows:

26 (1) If, in a retail installment transaction, a retail buyer makes
27 any subsequent purchases of goods or services from a retail seller from
28 whom he has previously purchased goods or services under one or more
29 retail installment contracts, and the amounts under such previous
30 contract or contracts have not been fully paid, the subsequent
31 purchases may, at the seller's option, be included in and consolidated
32 with one or more of the previous contracts. All the provisions of this
33 chapter with respect to retail installment contracts shall be
34 applicable to such subsequent purchases except as hereinafter stated in
35 this subsection. In the event of such consolidation, in lieu of the
36 buyer's executing a retail installment contract respecting each
37 subsequent purchase, as provided in this section, it shall be
38 sufficient if the seller shall prepare a written memorandum of each

1 such subsequent purchase, in which case the provisions of RCW
2 63.14.020, 63.14.030 and 63.14.040 shall not be applicable. Unless
3 previously furnished in writing to the buyer by the seller, by sales
4 slip, memoranda or otherwise, such memorandum shall set forth with
5 respect to each subsequent purchase items (a) to (~~(g)~~) (h) inclusive
6 of RCW 63.14.040(1), and in addition, if the service charge is stated
7 as a dollar amount, the amount of the time balance owed by the buyer to
8 the seller for the subsequent purchase, the outstanding balance of the
9 previous contract or contracts, the consolidated time balance, and the
10 revised installments applicable to the consolidated time balance, if
11 any, in accordance with RCW 63.14.040. If the service charge is not
12 stated in a dollar amount, in addition to the items (a) to (~~(g)~~) (h)
13 inclusive of RCW 63.14.040(1), the memorandum shall set forth the
14 outstanding balance of the previous contract or contracts, the
15 consolidated outstanding balance and the revised installments
16 applicable to the consolidated outstanding balance, in accordance with
17 RCW 63.14.040.

18 The seller shall deliver to the buyer a copy of such memorandum
19 prior to the due date of the first installment of such consolidated
20 contract.

21 (2) When such subsequent purchases are made, if the seller has
22 retained title or taken a lien or other security interest in any of the
23 goods purchased under any one of the contracts included in the
24 consolidation:

25 (a) The entire amount of all payments made prior to such subsequent
26 purchases shall be deemed to have been applied on the previous
27 purchases;

28 (b) The amount of any down payment on the subsequent purchase shall
29 be allocated in its entirety to such subsequent purchase.

30 (c) Each payment received after the subsequent purchase shall be
31 deemed to be allocated to all of the various time balances in the same
32 proportion or ratio as the original cash sale prices of the various
33 retail installment transactions bear to one another: PROVIDED, That
34 the seller may elect, where the amount of each installment payment is
35 increased in connection with the subsequent purchase, to allocate only
36 the increased amount to the time balance of the subsequent retail
37 installment transaction, and to allocate the amount of each installment
38 payment prior to the increase to the time balance(s) existing at the
39 time of the subsequent purchase.

1 The provisions of this subsection shall not apply to cases where
2 such previous and subsequent purchases involve equipment, parts, or
3 other goods attached or affixed to goods previously purchased and not
4 fully paid, or to services in connection therewith rendered by the
5 seller at the buyer's request.

6 **Sec. 4.** RCW 63.14.130 and 1997 c 331 s 7 are each amended to read
7 as follows:

8 The service charge shall be inclusive of all charges incident to
9 investigating and making the retail installment contract or charge
10 agreement and for the privilege of making the installment payments
11 thereunder and no other fee, expense or charge whatsoever shall be
12 taken, received, reserved or contracted therefor from the buyer, except
13 for any vehicle dealer administrative fee under RCW 46.12.042.

14 (1) The service charge, in a retail installment contract, shall not
15 exceed the dollar amount or rate agreed to by contract and disclosed
16 under RCW 63.14.040(1)((~~(7)(g)~~)) (h).

17 (2) The service charge in a retail charge agreement, revolving
18 charge agreement, lender credit card agreement, or charge agreement,
19 shall not exceed the schedule or rate agreed to by contract and
20 disclosed under RCW 63.14.120(1). If the service charge so computed is
21 less than one dollar for any month, then one dollar may be charged.

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