

SENATE BILL REPORT

SB 6413

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, January 29, 2002

Title: An act relating to late payment charges.

Brief Description: Limiting late payment charges.

Sponsors: Senators Gardner, Prentice, Franklin, Winsley, Keiser, Rasmussen and Regala.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 1/28/02, 1/29/02 [DP].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Keiser, Vice Chair; Benton, Fairley, Franklin, Gardner, Hochstatter, Honeyford, Rasmussen, Regala and Winsley.

Staff: Joanne Conrad (786-7472)

Background: Current law provides conditions under which retail installment contracts, charge agreements or credit card agreements can collect delinquency charges (late fees). Under most such agreements, if a payment is not received and credited to the account, a late fee will automatically be charged, regardless of the circumstances surrounding the late arrival of the payment.

Since September 11, 2001, the postal service and other delivery methods have been subject to sudden, unpredictable interruptions and delays, creating uncertainty in predicting delivery. Many people experienced delays and inconveniences, without being at fault. If any accommodation was made by credit card issuers, it was on a case-by-case basis, and depended upon the person contacting the credit grantor and negotiating for such late fees to be backed-out of their account.

In addition, many credit card payment processing sites are now located in somewhat remote places, and not reachable by normal postal service within a readily-predictable time period. This alone can add days to the time it takes for a payment to arrive and be credited to the credit card holder's account.

Summary of Bill: No late fees may be assessed against a new account's initial invoice until the account is 45 days overdue. When assessing late fees, credit card and retail credit issuers must make reasonable allowances for disruption to the mail service, and must immediately remove disputed late fees from the account until the dispute is resolved. Late fees may not be assessed on the late payment of the underlying late fee.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This measure is needed to protect consumers from unreasonably-imposed late fees.

Testimony Against: Credit payments cannot practically be sorted by postmark. Many credit issuers already have reasonable policies for nonfault delay in the mail.

Testified: Senator Gardner, prime sponsor (pro); Tom Echols, Household Finance; Jan Gee, WA Retail Assn. (con).