

RCW 48.22.120 Vendor single-interest or collateral protection coverage—Final notice and warning—No requirement to purchase—Effective date of coverage.

(1) A secured party shall not impose charges, that may include but are not limited to interest, finance, and premium charges, on a borrower for vendor single interest or collateral protection coverage for the motor vehicle or vessel as provided in subsection (2) of this section until the following or a substantially similar warning printed in ten-point type is sent to the borrower:

FINAL NOTICE AND WARNING

UNLESS YOU PROVIDE US WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY OUR LOAN AGREEMENT WITHIN FIVE DAYS AFTER THE POSTMARK ON THIS LETTER, WE WILL PURCHASE INSURANCE AT YOUR EXPENSE TO PROTECT OUR INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT YOUR INTEREST. IF THE COLLATERAL BECOMES DAMAGED, THE COVERAGE WE PURCHASE MAY NOT PAY ANY CLAIM YOU MAKE OR ANY CLAIM MADE AGAINST YOU. YOU MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT YOU HAVE OBTAINED PROPER COVERAGE ELSEWHERE OR HAVE PAID OFF THE LOAN ON THE COLLATERAL IN ITS ENTIRETY.

YOU ARE RESPONSIBLE FOR THE COST OF THE INSURANCE PURCHASED BY US. THE COST OF THIS INSURANCE MAY BE ADDED TO YOUR LOAN BALANCE. IF THE COST IS ADDED TO THE LOAN BALANCE, THE INTEREST RATE ON THE UNDERLYING LOAN WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE YOUR COVERAGE LAPSED OR THE DATE YOU FAILED TO PROVIDE PROOF OF COVERAGE.

THE COVERAGE WE PURCHASE WILL COST YOU A TOTAL OF APPROXIMATELY \$ (PLUS INTEREST) AND MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE YOU CAN OBTAIN ON YOUR OWN.

The final notice and warning shall identify whether the coverage to be purchased is vendor single interest or collateral protection coverage and disclose the extent of the borrower's coverage, if any, including a statement of whether the coverage satisfies Washington's mandatory liability insurance laws.

(2) If reasonable efforts to provide the borrower with the notice required under subsection (1) of this section fail to produce evidence of the required insurance, the secured party may proceed to impose charges for vendor single interest or collateral protection coverage no sooner than eight days after giving notice as required under this chapter. Reasonable efforts to provide notice under this section means:

(a) Within thirty days before the secured party is required to send the final notice and warning in compliance with subsection (1) of this section, the secured party shall mail a notice by first-class mail to the borrower's last known address as contained in the secured party's records. The notice shall state that the secured party intends to charge the borrower for vendor single interest or collateral protection coverage on the collateral if the borrower fails to provide evidence of proper insurance to the lender; and

(b) The secured party shall send the final notice and warning notice in compliance with subsection (1) of this section by certified mail to the borrower's last known address as contained in the secured

party's records at least eight days before the insurance is charged to the borrower by the insurer.

(3) The secured party is responsible for complying with subsection (2)(a) and (b) of this section. However, a secured party may seek the services of other entities to fulfill the requirements of subsection (2)(a) and (b) of this section.

(4) Nothing contained in this chapter, or a secured party's compliance with or failure to comply with this chapter, shall be construed to require the secured party to purchase vendor single interest or collateral protection coverage, and the secured party shall not be liable to the borrower or any third party as a result of its failure to purchase vendor single interest or collateral protection coverage.

(5) Substantial compliance by a secured party with RCW 48.22.110 through 48.22.130 constitutes a complete defense to any claim arising under the laws of this state challenging the secured party's placement of vendor single interest or collateral protection coverage.

(6) The effective date of vendor single interest or collateral protection coverage placed under this chapter shall be either the date that the borrower's prior coverage lapsed or the date that the borrower failed to provide proof of coverage on the vehicle or vessel as required under the contract or loan agreement. Premiums for vendor single interest or collateral protection coverage placed under this chapter shall be calculated on a basis that does not exceed the outstanding credit balance as of the effective date of the coverage even though the coverage may limit liability to the outstanding balance, actual cash value, or cost of repair.

(7) If the secured party has purchased the contract or loan agreement relating to the motor vehicle or vessel from the seller of the motor vehicle or vessel under an agreement that the seller must repurchase the contract or loan agreement in the event of a default by the borrower, the secured party shall send a copy of the notice provided under subsection (2)(a) of this section by first-class mail to the seller at the seller's last known address on file with the secured party when such notice is sent to the borrower under subsection (2)(a) of this section. [1994 c 186 § 3.]

Effective date—1994 c 186 §§ 1-5: See note following RCW 48.22.110.