

4

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** The legislature finds that the continued
8 regulation of consumer credit transactions, including the interest
9 rates that may be charged for the transactions, protects the public
10 from unfair practices and excessive interest rates. However, the
11 legislature recognizes that many of the state laws regulating consumer
12 credit transactions and interest rates have been directly or indirectly
13 superseded and supplemented by federal statutes and regulations. The
14 legislature also notes the inconsistencies and contradictions contained
15 in the many state statutes addressing consumer credit transactions.
16 Moreover, these statutes have failed to accommodate changes in both
17 commercial practices and economic conditions. In particular, some state
18 auto dealers and small retailers who do not issue retail credit cards
19 are experiencing difficulties in obtaining credit for the financing of
20 purchases by consumers because the retail rate permitted under state
21 law is less than the rate charged by large credit suppliers. It is
22 therefore the intent of the legislature to develop a single,
23 comprehensive chapter of law regulating consumer credit transactions
24 and to temporarily increase the interest rate that may be collected on
25 retail installment transactions while the legislature acts to retain,
26 modify, or repeal existing statutes regulating consumer credit
27 transactions."

1 "NEW SECTION. Sec. 2. (1) There is hereby created a joint
2 select committee on consumer credit transactions. The committee shall
3 consist of eight voting members appointed jointly by the speaker of the
4 house of representatives and the president of the senate. The voting
5 membership shall be chosen equally from each major political caucus and
6 shall include members of the house of representatives financial
7 institutions and insurance committee, the house of representatives
8 commerce and labor committee, the senate financial institutions
9 committee, and the senate commerce and labor committee. One member of
10 the select committee appointed by the speaker of the house of
11 representatives and one member of the select committee appointed by the
12 president of the senate shall be designated to serve as cochairs of the
13 committee. Each of the speaker of the house of representatives and the
14 president of the senate may appoint three nonvoting members to
15 participate in the meetings of the joint select committee. Nonvoting
16 members shall be limited to representatives of labor, consumer, retail,
17 financial, and legal groups who possess a working knowledge of consumer
18 credit transactions. The governor may appoint a representative of the
19 executive branch with responsibility for regulating consumer loan
20 companies to serve as a nonvoting member of the select committee.

21 (2) Legislative members of the committee shall be reimbursed for
22 expenses as provided under RCW 44.04.120. Nonvoting members of the
23 committee shall serve without compensation for their service as members
24 of the committee, but may be reimbursed for their travel expenses in
25 accordance with RCW 43.03.050 and 43.03.060.

26 (3) Staff support for the joint select committee on consumer credit
27 transactions shall be provided by the senate committee services and the
28 office of program research as mutually agreed by the cochairs of the
29 joint select committee.

1 (4) The committee shall expire immediately after its presentation
2 of the final report to the legislature under section 5 of this act."

3 "NEW SECTION. **Sec. 3.** (1) The joint select committee on
4 consumer credit transactions created in section 2 of this act shall
5 review state and federal statutes governing consumer credit
6 transactions and shall prepare a report:

7 (a) Summarizing federal and state statutes governing consumer
8 credit transactions;

9 (b) Identifying the state statutes preempted or superseded by
10 federal law and judicial interpretations of federal law;

11 (c) Identifying any duplication of federal statutes and regulations
12 by state statutes; and

13 (d) Identifying any inconsistency among state statutes affecting
14 consumer credit transactions.

15 (2) With the assistance of the institute for public policy, the
16 committee shall survey the professional and academic literature
17 addressing the impact of interest rate regulation on consumer credit
18 markets and shall prepare a report identifying the beneficial and
19 detrimental effects of state interest rate regulation upon state
20 consumer credit.

21 (3) The committee shall study and develop legislation creating to
22 the greatest extent possible a single, comprehensive statutory title of
23 law regulating consumer credit transactions including any regulation of
24 interest rates, service charges, and similar fees on consumer credit."

25 "**Sec. 4.** RCW 63.14.130 and 1989 c 112 s 1 and 1989 c 14 s 5 are
26 each reenacted and amended to read as follows:

27 The service charge shall be inclusive of all charges incident to
28 investigating and making the retail installment contract or charge

1 agreement and for the privilege of making the installment payments
2 thereunder and no other fee, expense or charge whatsoever shall be
3 taken, received, reserved or contracted therefor from the buyer.

4 (1) Except as provided in subsections (2) and (3) of this section,
5 the service charge, in a retail installment contract, shall not exceed
6 the highest of the following:

7 (a) A rate on outstanding unpaid balances which exceeds six
8 percentage points above the average, rounded to the nearest one-quarter
9 of one percent, of the equivalent coupon issue yields (as published by
10 the Board of Governors of the Federal Reserve System) of the bill rates
11 for twenty-six week treasury bills for the last market auctions
12 conducted during February, May, August, and November of the year prior
13 to the year in which the retail installment contract is executed;
14 (~~or~~)

15 (b) One and one-half percent per month on the outstanding unpaid
16 balances for contracts entered into between July 1, 1992, and July 1,
17 1994; or

18 (c) Ten dollars.

19 (2) The service charge in a retail installment contract for the
20 purchase of a motor vehicle shall not exceed the highest of the
21 following:

22 (a) A rate on outstanding unpaid balances which exceeds six
23 percentage points above the average, rounded to the nearest one-quarter
24 of one percent, of the equivalent coupon issue yield (as published by
25 the Board of Governors of the Federal Reserve System) of the bill rate
26 for twenty-six week treasury bills for the last market auction
27 conducted during February, May, August, or November, as the case may
28 be, prior to the quarter in which the retail installment contract for
29 purchase of the motor vehicle is executed; (~~or~~)

1 (b) One and one-half percent per month on the outstanding unpaid
2 balances for contracts entered into between July 1, 1992, and July 1,
3 1994; or

4 (c) Ten dollars.

5 As used in this subsection, "motor vehicle" means every device
6 capable of being moved upon a public highway and in, upon, or by which
7 any person or property is or may be transported or drawn upon a public
8 highway, except for devices moved by human or animal power or used
9 exclusively upon stationary rails or tracks.

10 (3) The service charge in a retail installment contract for the
11 purchase of a vessel shall not exceed the highest of the following:

12 (a) A rate on outstanding balances which exceeds six percentage
13 points above the average, rounded to the nearest one-quarter of one
14 percent, of the equivalent coupon issue yield, as published by the
15 federal reserve bank of San Francisco, of the bill rate for twenty-six
16 week treasury bills for the last market auction conducted prior to the
17 quarter in which the retail installment contract for purchase of the
18 vessel is expected; ((or))

19 (b) One and one-half percent per month on the outstanding unpaid
20 balances for contracts entered into between July 1, 1992, and July 1,
21 1994; or

22 (c) Ten dollars.

23 As used in this subsection, "vessel" means any watercraft used or
24 capable of being used as a means of transportation on the water, other
25 than a seaplane.

26 (4) The service charge in a retail charge agreement, revolving
27 charge agreement, lender credit card agreement, or charge agreement,
28 shall not exceed one and one-half percent per month on the outstanding
29 unpaid balances. If the service charge so computed is less than one
30 dollar for any month, then one dollar may be charged.

1 (5) A service charge may be computed on the median amount within a
2 range which does not exceed ten dollars and which is a part of a
3 published schedule of consecutive ranges applied to an outstanding
4 balance, provided the median amount is used in computing the service
5 charge for all balances within such range."

6 "NEW SECTION. **Sec. 5.** The joint select committee on consumer
7 credit transactions shall present a written progress report to the
8 legislature by January 1, 1993, and a final report by January 1, 1994."

9 **SSB 6305** - H COMM AMD
10 By Committee on Financial Institutions & Insurance

11
12 On page 1, line 1 of the title, after "market;" strike the
13 remainder of the title and insert "reenacting and amending RCW
14 63.14.130; and creating new sections."