

# HOUSE BILL REPORT

## HB 1797

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*As Reported By House Committee on:  
Financial Institutions & Insurance*

**Title:** An act relating to the Uniform Commercial Code.

**Brief Description:** Creating a new article to add to the Uniform Commercial Code, concerning leases.

**Sponsor(s):** Representative Appelwick.

**Brief History:**

Reported by House Committee on:  
Financial Institutions & Insurance, February 7, 1992,  
DPS.

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**HOUSE COMMITTEE ON  
FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 11 members: Representatives Dellwo, Chair; Zellinsky, Vice Chair; Broback, Ranking Minority Member; Mielke, Assistant Ranking Minority Member; Anderson; Inslee; R. Johnson; Paris; Schmidt; Scott; and Winsley.

**Staff:** John Conniff (786-7119).

**Background:** Although Washington statutes contain several references to leases, no statute treats leases and the business of leasing in a comprehensive manner. For example, in 1983 the Legislature adopted a consumer lease statute to exempt consumer leases from the state usury laws after the state Supreme Court found such leases to constitute lending transactions.

In 1985, the National Conference of Commissioners on Uniform State Laws approved an Uniform Personal Property Leasing Act and recommended its adoption by the states. Two years later the conference substantially modified the act to treat all leases in a manner similar to the Uniform Commercial Code's (UCC) treatment of sales transactions. The conference, along with the editorial board for the UCC and the American Law Institute, recommended adoption of a new UCC article governing leases.

**Summary of Substitute Bill:** The state Uniform Commercial Code is amended by adding a new article governing lease transactions. The new article defines various types of leases and contains five parts addressing formation and construction of lease contracts, effect of lease contracts, performance of lease contracts, and default under lease contracts. Conforming amendments are made to other articles of the UCC.

**Substitute Bill Compared to Original Bill:** Technical corrections are made and a one-year delay in effective date is added.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** The bill takes effect July 1, 1993.

**Testimony For:** The Uniform Law Commission recommends adoption of this new lease article to the Uniform Commercial Code. The new article will bring consistency and certainty to the leasing business.

**Testimony Against:** None.

**Witnesses:** (Pro) Representative Appelwick, prime sponsor; Ned Lange, State Bar Association; and Frank Smith, State Bar Association.