

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 2054**

Chapter 113, Laws of 1999

56th Legislature  
1999 Regular Session

RETAIL INSTALLMENT CONTRACT--CONTENTS

EFFECTIVE DATE: 7/25/99

Passed by the House March 9, 1999  
Yeas 91 Nays 0

CLYDE BALLARD  
**Speaker of the House of  
Representatives**

FRANK CHOPP  
**Speaker of the House of  
Representatives**

Passed by the Senate April 7, 1999  
Yeas 43 Nays 0

BRAD OWEN  
**President of the Senate**

Approved April 23, 1999

GARY LOCKE  
**Governor of the State of Washington**

CERTIFICATE

We, Dean R. Foster and Timothy A. Martin, Co-Chief Clerks of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 2054** as passed by the House of Representatives and the Senate on the dates hereon set forth.

DEAN R. FOSTER  
**Chief Clerk**

TIMOTHY A. MARTIN  
**Chief Clerk**

FILED

April 23, 1999 - 3:31 p.m.

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 2054**

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Passed Legislature - 1999 Regular Session

**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.

Passed the House March 9, 1999.

Passed the Senate April 7, 1999.

Approved by the Governor April 23, 1999.

Filed in Office of Secretary of State April 23, 1999.