



Initiative Measure 412

TO THE PEOPLE

NOTE: The ballot title and explanatory statement were written by the Attorney General as required by state law. The complete text of Initiative Measure 412 begins on page 12.

Official Ballot Title:

Shall the maximum interest rate on retail sales be the higher of 12% or 1% over the federal discount rate?

The law as it now exists:

Current state law limits the rate of interest which may be charged on purchases of goods or services primarily for personal, family, or household use under a retail installment contract or a revolving charge agreement.

The maximum annual interest rate for retail installment contracts is 6% higher than the average interest rate on 26-week Treasury Bills

during certain months of the preceding year, or \$10.00, whichever is higher.

The maximum annual interest rate for revolving charge agreements (e.g. department store charge accounts) is 18% on the outstanding unpaid balance, or \$1.00 per month, whichever is higher.

Current state law also limits the interest rate which may be charged on other types of personal loans, including purchases through a credit card, the issuer of which is not principally engaged in the business of selling goods or services (e.g. bank credit card). The maximum annual interest rate allowed for these types of loans is 4% higher than the equivalent coupon issue yield for 26-week Treasury Bills at the first bill auction of the preceding month, or 12%, whichever is higher.

However, federal law and not state law is generally applicable in setting the maximum interest rates for most residential mortgage loans and for loans made by most federally chartered or federally insured financial institutions.

Federal law allows national banks to charge the higher of the rate allowed to other lenders by the state law where they are headquartered, or 1% above the federal discount rate on 90-day commercial paper. Likewise, the maximum rate which may be charged on loans by federally chartered credit unions is set by a federal agency,

and state law allows state chartered credit unions to charge the same rates.

The maximum rates chargeable by financial institutions which are state chartered but federally insured—banks, savings banks, mutual savings banks, savings and loan associations, and credit unions—are also governed by federal law; however, that federal law allows each state to set its own maximum interest rates for loans made by such institutions by adopting a law specifically preempting the federally imposed rate.

The effect of Initiative No. 412, if approved into law:

If approved into law, Initiative 412 would set the maximum annual interest rate for retail installment contracts at 1% above the federal discount rate on 90-day commercial paper, 12%, or \$10.00, whichever is the greater. This maximum rate would still apply if the seller transfers its rights to a third party, even though the third party would be able to charge a higher rate on a direct loan to the purchaser under laws not affected by Initiative 412.

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Statement for

Initiative 412 will lower interest rates on retail credit—bank cards, store cards, and retail installment contracts. It will also send a message to government that all interest rates must come down.

We want fair and affordable consumer credit. And we want our state's economy to improve. 412 helps.

Retail credit is offered to stimulate sales, pure and simple. Big banks and big business charge excessive interest rates for more profit. Claims that credit won't be available are scare tactics. Retail credit will be available because retailers must sell their goods to make a profit. Credit is a proven device to increase sales.

Our economy is strangled by high interest rates. Consumers, discouraged by interest rates of 18% or more, are postponing purchases of new cars, furniture and other durable goods. Businesses are going bankrupt at record rates.

Each retail dollar saved on interest will be spent on other goods and services. Washington's economy will improve when consumers buy more.

412 allows consumers to start buying again and retail businesses to start selling again. More people will have jobs making, moving, and servicing goods in Washington State. Thousands of jobs will be saved.

In Washington, the people set interest rates. We voted in 1968 to limit interest rates to 12%. That law helped keep our economy moving.

In 1981, the Legislature listened to big banks and changed our law. Again this year, the people will decide whether they want high interest rates.

Let's get our economy moving again. Let's restore fair interest rates. VOTE "YES" 412!

Rebuttal of Statement against

The Legislature didn't "reform" our usury law. Nothing's fair about 20% interest, three complex rates, hidden transaction fees, and unlimited annual fees! 412 reforms those mistakes. Businesses profit from buying and selling goods, not credit. 412 means more sales. Banks made idle threats to move their credit departments long before 412 came about. They've made millions on high interest rates. We have better uses for our money than big banks do. For fair interest rates, vote "YES" 412!

Voters Pamphlet Statement Prepared by:

RUTHE RIDDER, State Senator; ART WANG, State Representative; MARVIN L. WILLIAMS, President, Washington State Labor Council, AFL-CIO.

Advisory Committee: WARREN G. MAGNUSON, former U.S. Senator; NORMAN B. RICE, member, Seattle City Council; CLAY BLECK, Spokane small businessman; JOLENE UNSOELD, citizen lobbyist; M. WOODROW WILSON, Executive Director, Oregon-Washington Farmers Union.

Statement against

We oppose Initiative 412 because it threatens our credit rights and credit security, and hurts the people who need credit the most. We all want fair and available credit. And we all want to keep money, business, and jobs in Washington.

412 will hurt our people who are not well-off, including our young and elderly. When unfair interest ceilings are established, many people find it difficult—even impossible to obtain credit.

412 will hurt our independent, neighborhood retailers who cannot absorb the impact which 412 would cause.

Bank card interest is covered under 412, but Washington banks will just move their bank cards out of state. We'll pay the other state's rate—and that state will get our money, business, and jobs!

And 412 will keep other credit-sensitive industries from locating here—keeping new money, business, and jobs out of Washington.

When we reformed our usury law, we did it to help people obtain fair credit and to allow businesses to offer fair credit to people. Initiative 412 won't help us. It will hurt us BAD!

Forty-eight other states are willing to pay the price that money costs today. An artificial control like 412 will not help our state. The people of Washington do not set national monetary policy. And at a time when everyone in the United States is a victim of runaway inflation, Initiative 412 will only further victimize Washington people.

We want to keep Washington jobs in Washington. Vote for people! VOTE NO ON 412!

Rebuttal of Statement for

The fact is: 412 would have the *opposite* of its intended effect. It would force retailers to raise prices and restrict credit to people. It would force bank cards out of state—and rates would go up. 412 hurts people who need credit. It hurts small retailers. If it passes, Washington people would pay *more*. Don't be misled! 412 won't save us money. It will decrease sales, reduce credit availability, and end jobs in Washington.

Voters Pamphlet Statement Prepared by:

MAX BENITZ, State Senator; PAT FISKE, State Representative; CAROL MONOHON, State Representative.

Advisory Committee: LINDA BORTH, Hoquiam; SHEILA GUENTHER, Vancouver.



COMPLETE TEXT OF Initiative Measure 412

AN ACT Relating to credit transactions; amending section 13, chapter 236, Laws of 1963 as last amended by section 5, chapter 77, Laws of 1981 and RCW 63.14.130; amending section 10, chapter 77, Laws of 1981 and RCW 63.14.165; amending section 1, chapter 90, Laws of 1981 and RCW 31.12.373; amending section 3, chapter 90, Laws of 1981 and RCW 31.12.377; amending section 1, chapter 87, Laws of 1981 and RCW 33.12.012; amending section 2, chapter 87, Laws of 1981 and RCW 33.12.014; adding a new section to chapter 30.04 RCW; adding a new section to chapter 31.04 RCW; adding a new section to chapter 31.08 RCW; adding a new section to chapter 31.12 RCW; adding a new section to chapter 32.04 RCW; adding a new section to chapter 33.04 RCW; adding new sections to chapter 63.14 RCW; creating a new section; repealing section 7, chapter 77, Laws of 1981 and RCW 19.52.120; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

Section 1. Section 13, chapter 236, Laws of 1963 as last amended by section 5, chapter 77, Laws of 1981 and RCW 63.14.130 are each amended to read as follows:

The service charge shall be inclusive of all charges incident to investigating and making the retail installment contract or charge agreement and for the privilege of making the installment payments thereunder and no other fee, expense or charge whatsoever shall be taken, received, reserved or contracted therefor from the buyer.

(1) The service charge, in a retail installment contract, shall not exceed the highest of the following:

(a) ~~A rate on outstanding unpaid balances ((which exceeds six percentage points above the average, rounded to the nearest one-quarter of one percent, of the equivalent coupon issue yields (as published by the Federal Reserve Bank of San Francisco) of the bill rates for twenty six week treasury bills for the last market auctions conducted during February, May, August, and November of the year prior to the year in which the retail installment contract is executed, or))~~ of twelve percent per annum;

(b) A rate per annum on outstanding unpaid balances of one percentage point in excess of the discount rate on ninety-day commercial paper in effect at the Federal Reserve Bank in San Francisco on the fifteenth of the month immediately preceding the month in which the contract is executed; or

(c) Ten dollars.

(2) ~~The service charge in a retail charge agreement, revolving charge agreement, or charge agreement, shall not exceed ((one and one half percent per month on the outstanding unpaid balances. If the service charge so computed is less than one dollar for any month, then one dollar may be charged))~~ the highest of the following:

(a) One percent per month on the outstanding unpaid balances;

(b) A rate per month on outstanding unpaid balances, rounded to the nearest one-hundredth percent, equivalent to one-twelfth of a rate per annum of one percentage point in excess of the discount rate on ninety-day commercial paper in effect at the Federal Reserve Bank in San Francisco on the fifteenth of November of the year immediately preceding the year the retail installment transaction is entered into; or

(c) One dollar per month.

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

Sec. 2. Section 10, chapter 77, Laws of 1981 and RCW 63.14.165 are each amended to read as follows:

~~A ((lender)) credit card is ((a card or device issued under an arrangement pursuant to which the issuer gives to a card holder residing in this state the privilege of obtaining credit from the issuer or other persons in purchasing or leasing property or services, obtaining loans, or otherwise, and the issuer of which is not principally engaged in the business of selling goods:~~

~~A lender credit card agreement and credit extended pursuant to it is not subject to the provisions of this chapter but shall be subject to the provisions of chapter 19.52 RCW))~~ any card, plate, coupon book, or other single credit device existing for the purpose of being used from time to time by the buyer upon presentation to obtain goods, services, money, or otherwise when the underlying agreement provides for a service or other finance or interest charge or the buyer's obligation is payable in more than four installments. When a credit card is used for the purchase of goods or services, as those terms are used in this chapter, it is a retail installment transaction and is subject to this chapter whether or not the issuer is a person who is also the seller of the goods or services or is a person who is primarily engaged in the business of lending money. A membership or like fee charged for the ownership of such a credit card shall not exceed twelve dollars per year.

NEW SECTION. Sec. 3. There is added to chapter 63.14 RCW a new section to read as follows:

(1) The buyer's obligation, notwithstanding the form of the evidence of the debt, arising from a sale of goods or services to a buyer by a seller which provides for a service, finance, interest, or like charge or payment in more than four installments is subject to this chapter whether or not the person ultimately entitled to enforce the buyer's obligation is the seller or another person.

(2) This section includes but is not limited to transactions in which:

(a) The seller assigns or otherwise transfers the evidence of the debt to another person who enforces the obligation including a financing organization;

(b) The form or forms used to evidence the sales transaction have been supplied or prepared by another person who enforces the obligation including a financing organization;

(c) The credit standing of the buyer is or may be evaluated by or evaluated pursuant to the instructions

furnished by another person who enforces the obligation including a financing organization; or

(d) The sales transaction or evidence of debt is negotiated in the presence or with the assistance of a representative of another person who enforces the obligation including a financing organization.

NEW SECTION. Sec. 4. There is added to chapter 63.14 RCW a new section to read as follows:

In any transaction subject to this chapter, a person shall not be entitled to charge a higher rate of service or other interest charge which may be contained in any other chapter or title including, but not limited to, chapters 19.52, 31.04, 31.08, and 31.12 RCW, and Titles 30, 32, and 33 RCW.

Sec. 5. Section 1, chapter 90, Laws of 1981 and RCW 31.12.373 are each amended to read as follows:

Notwithstanding any other provision of law except chapter 63.14 RCW, a credit union may exercise any of the powers or authority conferred as of May 8, 1981, upon a federal credit union doing business in this state.

Sec. 6. Section 3, chapter 90, Laws of 1981 and RCW 31.12.377 are each amended to read as follows:

Notwithstanding any other provision of law except chapter 63.14 RCW, the supervisor may make reasonable rules authorizing a credit union to exercise any of the powers conferred at the time of the adoption of the rules upon a federal credit union doing business in this state if the supervisor finds that the exercise of the power:

(1) Serves the convenience and advantage of depositors and borrowers; and

(2) Maintains the fairness of competition and parity between state-chartered credit unions and federally-chartered credit unions.

Sec. 7. Section 1, chapter 87, Laws of 1981 and RCW 33.12.012 are each amended to read as follows:

Notwithstanding any other provision of law except chapter 63.14 RCW, a savings and loan association may exercise any of the powers conferred as of May 8, 1981, upon a federal savings and loan association doing business in this state.

Sec. 8. Section 2, chapter 87, Laws of 1981 and RCW 33.12.014 are each amended to read as follows:

Notwithstanding any other provision of law except chapter 63.14 RCW, the supervisor may make reasonable rules authorizing a savings and loan association to exercise any of the powers conferred at the time of the adoption of the rules upon a federal savings and loan association doing business in this state, or may modify or reduce reserve or other requirements if an association is insured by ~~((the))~~ the federal savings and loan insurance corporation, if the supervisor finds that the exercise of the power:

(1) Serves the convenience and advantage of depositors and borrowers; and

(2) Maintains the fairness of competition and parity between state-chartered savings and loan associations and federally-chartered savings and loan associations.

NEW SECTION. Sec. 9. There is added to chapter 30.04 RCW a new section to read as follows:

This title does not authorize a bank or trust company to engage in any practice or levy any charge prohibited by chapter 63.14 RCW.

NEW SECTION. Sec. 10. There is added to chapter 31.04 RCW a new section to read as follows:

This chapter does not authorize a licensee to engage in any practice or levy any charge prohibited by chapter 63.14 RCW.

NEW SECTION. Sec. 11. There is added to chapter 31.08 RCW a new section to read as follows:

This chapter does not authorize a licensee to engage in any practice or levy any charge prohibited by chapter 63.14 RCW.

NEW SECTION. Sec. 12. There is added to chapter 31.12 RCW a new section to read as follows:

This chapter does not authorize a licensee to engage in any practice or levy any charge prohibited by chapter 63.14 RCW.

NEW SECTION. Sec. 13. There is added to chapter 32.04 RCW a new section to read as follows:

This title does not authorize a mutual savings bank to engage in any practice or levy any charge prohibited by chapter 63.14 RCW.

NEW SECTION. Sec. 14. There is added to chapter 33.04 RCW a new section to read as follows:

This title does not authorize a savings and loan association to engage in any practice or levy any charge prohibited by chapter 63.14 RCW.

NEW SECTION. Sec. 15. (1) The state of Washington hereby declares and explicitly states that it does not want any of the provisions of the amendments contained in sections 521, 522, and 523 Part C of Public Law 96-221 to apply with respect to loans made in this state. It is the intent of the state under this section to exercise all authority granted by the Congress of the United States, and to satisfy all requirements imposed by Congress in section 525 of Part C of Public Law 96-221 for the purpose of rendering the provisions of Public Law 96-221 Title V Part C inapplicable in this state.

(2) For the purposes of this section only, the term "loan" includes all secured and unsecured loans, credit sales, forbearances, advances, renewals or other extensions of credit made by or to any person or organization.

NEW SECTION. Sec. 16. Section 7, chapter 77, Laws of 1981 and RCW 19.52.120 are each repealed.

NEW SECTION. Sec. 17. If any provision of this act or its application to any person or circumstance if held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 18. The effective date of this act is February 1, 1983. On or after that date, this act shall apply only to loans or forbearances or transactions which are entered into after the effective date of this act or to existing loans or forbearances, contracts, or agreements to which there is an addition to the principal amount of the credit outstanding after the effective date of this act.



COMPLETE TEXT OF Initiative Measure 414

AN ACT Relating to solid waste management, establishing a minimum refund value on beverage containers to promote their reuse and recycling, adding a new chapter to Title 70 RCW; prescribing penalties; and providing effective dates.

Conclusion of explanatory statement on Initiative Measure 412

The maximum annual interest rate for purchases made on a revolving charge agreement, or on a credit card, would be 1% above the federal discount rate on 90-day commercial paper, or 12% (both of which would be computed on outstanding unpaid balances), or \$12.00, whichever is the greater. This would be true even though the issuer of the credit card was not engaged regularly in the sale of goods or services.

If approved into law, Initiative 412 would also subject all other personal loans made by state-chartered savings banks, mutual savings banks, and savings and loan associations, as well as federally chartered savings and loan associations, to the general state usury limit of 4% above the equivalent coupon issue yield for 26-week Treasury Bills at the first bill auction of the preceding month, or 12%, whichever is higher.

Initiative 412 would not affect the federally imposed maximum interest rates on most residential mortgage loans, which apply regardless of the maker of such loan, nor would it affect the maximum rate which may be charged by federal credit unions. State-chartered credit unions would continue to be able to charge the same rates as federally chartered credit unions except on retail installment and credit card transactions.

Finally, the provisions of federal law which limit the rate which may be charged on loans by national banks would not be altered by the passage of Initiative 412 – however, the applicable state law rates incorporated within that provision would be changed with respect to retail installment and credit card transactions as discussed above.

Conclusion of explanatory statement on Senate Joint Resolution 143

public improvements; such indebtedness will be subject to the limitations of existing law, including voter approval when required to exceed existing debt limitations. The amendment also requires notice and opportunity for public hearing on any proposal to utilize such general indebtedness. Further, if voter approval is not otherwise required by the Constitution, the amendment would permit the use of a referendum on any such proposal.

The legislature earlier this year passed and the Governor signed into law Chapter 42, Laws of 1982, 1st Ex. Sess., the "Community Redevelopment Financing Act of 1982", to implement the provisions of this proposed amendment, should it be approved by the voters at the forthcoming general election. Any subsequent changes in the law aimed at enlarging the nature of public improvements, or their locations, which may utilize the tax financing of such projects through the use of increased property values will require a favorable vote of three-fifths of the members of each house of the legislature and be further subject to approval of the voters by referendum.
