

REFERENCE TITLE: car title loans; rate; contracts

State of Arizona  
Senate  
Fifty-sixth Legislature  
Second Regular Session  
2024

## **SB 1400**

Introduced by  
Senators Farnsworth: Mendez, Rogers, Shamp, Sundareshan, Wadsack;  
Representatives Aguilar, Austin, Blattman, Crews, De Los Santos,  
Gutierrez, Hernandez L, Ortiz, Travers, Villegas

AN ACT

AMENDING SECTIONS 44-287 AND 44-291, ARIZONA REVISED STATUTES; RELATING TO  
MOTOR VEHICLE TIME SALES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 44-287, Arizona Revised Statutes, is amended to  
3 read:

4 44-287. Contents of contract

5 A. The contract shall contain the names of the seller and the  
6 buyer, the place of business of the seller, the residence or place of  
7 business of the buyer as specified by the buyer and a description of the  
8 motor vehicle including its make, year, model and identification number or  
9 marks.

10 B. The contract shall contain the following items:

11 1. The cash sale price of the motor vehicle.

12 2. The amount of the buyer's down payment, and whether made in  
13 money or goods, or partly in money and partly in goods.

14 3. The difference between paragraphs 1 and 2 of this subsection.

15 4. The amount, if any, included for insurance specifying the term  
16 and types of coverage. If the contract does not include liability  
17 insurance coverage for bodily injuries and property damage, such fact  
18 shall be so set forth in capital letters immediately above the signatures  
19 of the parties to the contract.

20 5. The final cash price balance, which is the sum of paragraphs 3  
21 and 4 of this subsection.

22 6. The amount of the finance charge and the ANNUAL PERCENTAGE rate  
23 at which ~~it~~ THE FINANCE CHARGE is computed IN LARGE TYPE OF AT LEAST  
24 FIFTEEN POINTS THAT IS PLACED DIRECTLY ABOVE THE SIGNATURE LINE OF THE  
25 CONTRACT.

26 7. The time balance, which is the sum of paragraphs 5 and 6 of this  
27 subsection, payable in installments by the buyer to the seller, the number  
28 of installments, the amount of each installment and the due date or period  
29 of each installment.

30 8. A statement, adjacent to the signature line of the contract, in  
31 bold-faced type, setting forth the telephone number and address of the  
32 department of insurance and financial institutions and stating that the  
33 seller is regulated by the department of insurance and financial  
34 institutions and that any complaints concerning the contract may be  
35 addressed to the department of insurance and financial institutions.

36 C. The items set forth in subsection B of this section need not be  
37 stated in the sequence or order set forth, and additional items may be  
38 included to explain the calculations involved in determining the stated  
39 time balance to be paid by the buyer.

40 D. Notwithstanding any other law, in the case of motor vehicles,  
41 trailers or semitrailers, a transaction does not create a sale or security  
42 interest merely because it provides that the rental price is ~~permitted~~  
43 ALLOWED or required to be adjusted under the agreement either upward or  
44 downward by reference to the amount realized on sale or other disposition  
45 of the motor vehicle, trailer or semitrailer.

1           Sec. 2. Section 44-291, Arizona Revised Statutes, is amended to  
2 read:

3           44-291. Computation of interest; prepayment rebate;  
4                   additional charges; secondary motor vehicle finance  
5                   transaction; definitions

6           A. Except as provided in subsections G and H of this section, under  
7 a retail installment contract it is lawful to charge and receive interest  
8 not to exceed the maximum rate set by contract.

9           B. The finance charge may be computed either at a single annual  
10 percentage rate using the actuarial method or it may be precomputed on the  
11 assumption that all payments will be made in the amount and on the dates  
12 scheduled. If the finance charge is precomputed, the fact that payments  
13 are made either before or after the date due does not affect the amount of  
14 finance charge ~~which~~ THAT the seller or holder may charge or receive. If  
15 the precomputed contract balance is prepaid in full by cash, a new loan,  
16 refinancing or otherwise, the seller or holder shall charge only for the  
17 finance charge ~~which~~ THAT has been earned and unpaid late payment or  
18 delinquency charges as of the date of prepayment, and the buyer shall  
19 receive a rebate of that portion of the precomputed finance charge ~~which~~  
20 THAT is the difference between the total precomputed finance charges and  
21 the charges at the contract finance charge computed on the unpaid  
22 principal balance based on the number of days or months to maturity based  
23 on either a thirty day month - three hundred sixty day year or daily three  
24 hundred sixty-five or three hundred sixty-six day year on the number of  
25 days remaining to final maturity, except that the number of days shall be  
26 the same as that used in calculating the finance charge as prescribed in  
27 subsection C of this section. The amount of such rebate shall not be  
28 computed pursuant to the method commonly known as the "rule of 78's". To  
29 simplify the calculation of earned finance charge, it is permissible to  
30 assume that all payments were made as originally scheduled or as otherwise  
31 mutually agreed ON.

32           C. It is permissible to calculate a finance charge on an annual  
33 basis of twelve months of thirty days each, or on a daily basis if a day  
34 is counted as 1/360th, 1/365th, or 1/366th of a year, as the buyer and  
35 seller or holder may agree by writing. The seller or holder may also  
36 charge a late payment or delinquency charge, in addition to all finance  
37 charges ~~permitted~~ ALLOWED, on each installment not paid in full on the  
38 tenth day after its due date in an amount not to exceed five ~~per cent~~  
39 PERCENT of the unpaid balance of the installment.

40           D. In addition to the cash sale price of the vehicle, the seller  
41 may charge for any insurance premiums incurred in connection with the  
42 retail installment transaction.

43           E. Notwithstanding the late payment or delinquency charge provided  
44 in subsection C of this section, in a commercial transaction, the seller  
45 or holder may charge a late payment or delinquency charge, in addition to

1 all finance charges ~~permitted~~ ALLOWED, on each installment not paid in  
2 full on the tenth day after its due date in an amount of not more than  
3 five ~~per cent~~ PERCENT of the unpaid balance of the installment.

4 F. Any sales finance company may purchase or acquire or agree to  
5 purchase or acquire from any seller any contract on ~~such~~ THE terms and  
6 conditions as may be agreed on between them. Filing of the assignment  
7 notice to the buyer of the assignment and any requirement that the holder  
8 maintain dominion over the payments or the motor vehicle if repossessed is  
9 not necessary to the validity of a written assignment of a contract as  
10 against creditors, subsequent purchasers, pledgees, mortgagees and lien  
11 claimants of the seller. Unless the buyer has notice of the assignment of  
12 ~~his~~ THE contract, payment under the contract made by the buyer to the last  
13 known holder of such A contract is binding on all subsequent holders.

14 G. If the retail installment contract is a secondary motor vehicle  
15 finance transaction, the seller, bailor, lender or lessor shall determine  
16 the annual secondary motor vehicle finance rate and all charges relating  
17 to the sale, conditional sale, bailment or lease and repurchase of the  
18 vehicle. The seller, bailor, lender or lessor shall calculate the annual  
19 secondary motor vehicle finance rate by multiplying the monthly secondary  
20 motor vehicle finance rate by twelve. A retail installment contract that  
21 is a secondary motor vehicle finance transaction is subject to the  
22 following maximum finance rates on a secondary motor vehicle finance  
23 contract in the original principal amount of:

24 1. ~~Five hundred dollars~~ \$500 or less, a monthly finance rate of  
25 seventeen ~~per cent~~ PERCENT.

26 2. More than ~~five hundred dollars~~ \$500 but not more than ~~two~~  
27 ~~thousand five hundred dollars~~ \$2,500, a monthly finance rate of fifteen  
28 ~~per cent~~ PERCENT.

29 3. More than ~~two thousand five hundred dollars~~ \$2,500 but not more  
30 than ~~five thousand dollars~~ \$5,000, a monthly finance rate of thirteen ~~per~~  
31 ~~cent~~ PERCENT.

32 4. More than ~~five thousand dollars~~ \$5,000, a monthly finance rate  
33 of ten ~~per cent~~ PERCENT.

34 H. Except as the result of an accidental or bona fide error, if the  
35 licensee charges, contracts for or receives any amount in excess of the  
36 finance charges and other fees expressly ~~permitted~~ ALLOWED by this  
37 chapter, the secondary motor vehicle transaction is voidable and the  
38 licensee has no right to collect or receive any principal, finance charges  
39 or other fees in connection with that secondary motor vehicle finance  
40 transaction. Any secondary motor vehicle finance transaction that is made  
41 by a person who is required to be licensed pursuant to this chapter but  
42 who is not licensed is void, and the person has no right to collect,  
43 receive or retain any principal, finance charges or other fees in  
44 connection with that secondary motor vehicle finance transaction.

1 I. Section 44-287, subsection B does not apply to a secondary motor  
2 vehicle finance transaction if the contract complies with the disclosure  
3 requirements prescribed in federal law. The seller shall conspicuously  
4 disclose in the contract the annual secondary motor vehicle finance rate  
5 **IN LARGE TYPE OF AT LEAST FIFTEEN POINTS THAT IS PLACED DIRECTLY ABOVE THE**  
6 **SIGNATURE LINE OF THE CONTRACT.**

7 J. For the purposes of this section:

8 1. "Actuarial method" means the method of allocating payments made  
9 on a debt between the unpaid principal balance and the finance charge  
10 pursuant to which a payment is applied first to the finance charge due and  
11 any remainder is subtracted from the unpaid principal balance.

12 2. "Commercial transaction" means a transaction in which the motor  
13 vehicle is intended by the borrower for use primarily for other than  
14 personal, family or household purposes.