

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1300

(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

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 buyer,
6 the place of business of the seller, the residence or place of business of
7 the buyer as specified by the buyer and a description of the motor vehicle
8 including its make, year, model and identification number or marks.

9 B. The contract shall contain the following items:

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

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

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

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

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

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

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

5 8. A statement, adjacent to the signature line of the contract, in
6 bold-faced type, setting forth the telephone number and address of the
7 department of insurance and financial institutions and stating that the
8 seller is regulated by the department of insurance and financial
9 institutions and that any complaints concerning the contract may be
10 addressed to the department of insurance and financial institutions.

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

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

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

23 44-291. Computation of interest; prepayment rebate; additional
24 charges; secondary motor vehicle finance
25 transaction; definitions

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

29 B. The finance charge may be computed either at a single annual
30 percentage rate using the actuarial method or it may be precomputed on the
31 assumption that all payments will be made in the amount and on the dates
32 scheduled. If the finance charge is precomputed, the fact that payments
33 are made either before or after the date due does not affect the amount of

1 finance charge ~~which~~ THAT the seller or holder may charge or receive. If
2 the precomputed contract balance is prepaid in full by cash, a new loan,
3 refinancing or otherwise, the seller or holder shall charge only for the
4 finance charge ~~which~~ THAT has been earned and unpaid late payment or
5 delinquency charges as of the date of prepayment, and the buyer shall
6 receive a rebate of that portion of the precomputed finance charge ~~which~~
7 THAT is the difference between the total precomputed finance charges and
8 the charges at the contract finance charge computed on the unpaid principal
9 balance based on the number of days or months to maturity based on either a
10 thirty day month - three hundred sixty day year or daily three hundred
11 sixty-five or three hundred sixty-six day year on the number of days
12 remaining to final maturity, except that the number of days shall be the
13 same as that used in calculating the finance charge as prescribed in
14 subsection C of this section. The amount of such rebate shall not be
15 computed pursuant to the method commonly known as the "rule of 78's". To
16 simplify the calculation of earned finance charge, it is permissible to
17 assume that all payments were made as originally scheduled or as otherwise
18 mutually agreed ON.

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

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

30 E. Notwithstanding the late payment or delinquency charge provided
31 in subsection C of this section, in a commercial transaction, the seller or
32 holder may charge a late payment or delinquency charge, in addition to all
33 finance charges ~~permitted~~ ALLOWED, on each installment not paid in full on

1 the tenth day after its due date in an amount of not more than five ~~per~~
2 ~~cent~~ PERCENT of the unpaid balance of the installment.

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

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

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

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

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

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

1 H. Except as the result of an accidental or bona fide error, if the
2 licensee charges, contracts for or receives any amount in excess of the
3 finance charges and other fees expressly ~~permitted~~ ALLOWED by this chapter,
4 the secondary motor vehicle transaction is voidable and the licensee has no
5 right to collect or receive any principal, finance charges or other fees in
6 connection with that secondary motor vehicle finance transaction. Any
7 secondary motor vehicle finance transaction that is made by a person who is
8 required to be licensed pursuant to this chapter but who is not licensed is
9 void, and the person has no right to collect, receive or retain any
10 principal, finance charges or other fees in connection with that secondary
11 motor vehicle finance transaction.

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

18 J. For the purposes of this section:

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

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

26 Amend title to conform

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