RCW 31.04.115 Open-end loan—Requirements—Restrictions—Options.

(1) As used in this section, "open-end loan" means an agreement between a licensee and a borrower that expressly states that the loan is made in accordance with this chapter and that provides that:

(a) A licensee may permit the borrower to obtain advances of money from the licensee from time to time, or the licensee may advance money on behalf of the borrower from time to time as directed by the borrower;

(b) The amount of each advance and permitted charges and costs are debited to the borrower's account, and payments and other credits are credited to the same account;

(c) The charges are computed on the unpaid principal balance, or balances, of the account from time to time; and

(d) The borrower has the privilege of paying the account in full at any time without prepayment penalty or, if the account is not in default, in monthly installments of fixed or determinable amounts as provided in the agreement.

(2)(a) Interest charges on an open-end loan shall not exceed twenty-five percent per annum computed in each billing cycle by any of the following methods:

(i) By converting the annual rate to a daily rate, and multiplying the daily rate by the daily unpaid principal balance of the account, in which case each daily rate is determined by dividing the annual rate by three hundred sixty-five;

(ii) By multiplying a monthly rate by the average daily unpaid principal balance of the account in the billing cycle, in which case the monthly rate is one-twelfth of the annual rate, and the average daily unpaid principal balance is the sum of the amount unpaid each day during the cycle divided by the number of days in the cycle; or

(iii) By converting the annual rate to a daily rate, and multiplying the daily rate by the average daily unpaid principal balance of the account in the billing cycle, in which case the daily rate is determined by dividing the annual rate by three hundred sixty-five, and the average daily unpaid principal balance is the sum of the amount unpaid each day during the cycle divided by the number of days in the cycle.

For all of the methods of computation specified in this subsection (2)(a), the billing cycle shall be monthly, and the unpaid principal balance on any day shall be determined by adding to the balance unpaid, as of the beginning of that day, all advances and other permissible amounts charged to the borrower, and deducting all payments and other credits made or received that day. A billing cycle is considered monthly if the closing date of the cycle is on the same date each month, or does not vary by more than four days from that date.

(b) Reverse mortgage loans made in accordance with the Washington state reverse mortgage act are not subject to the interest charge computation restrictions or billing cycle requirements in this section.

(3) In addition to the charges permitted under subsection (2) of this section, the licensee may contract for and receive an annual fee, payable each year in advance, for the privilege of opening and maintaining an open-end loan account. Except as prohibited or limited by this section, the licensee may also contract for and receive on an open-end loan any additional charge permitted by this chapter on other
loans, subject to the conditions and restrictions otherwise pertaining
to those charges.

(4)(a) If credit life or credit disability insurance is provided,
the additional charge for credit life insurance or credit disability
insurance shall be calculated in each billing cycle by applying the
current monthly premium rate for the insurance, at the rate approved
by the insurance commissioner to the entire outstanding balances in
the borrower's open-end loan account, or so much thereof as the
insurance covers using any of the methods specified in subsection
(2)(a) of this section for the calculation of interest charges; and
(b) The licensee shall not cancel credit life or disability
insurance written in connection with an open-end loan because of
delinquency of the borrower in the making of the required minimum
payments on the loan, unless one or more of the payments is past due
for a period of ninety days or more; and the licensee shall advance to
the insurer the amounts required to keep the insurance in force during
that period, which amounts may be debited to the borrower's account.

(5) A security interest in real or personal property may be taken
to secure an open-end loan. Any such security interest may be retained
until the open-end account is terminated. The security interest shall
be promptly released if (a) there has been no outstanding balance in
the account for twelve months and the borrower either does not have or
surrenders the unilateral right to create a new outstanding balance;
or (b) the account is terminated at the borrower's request and paid in
full.

(6) The licensee may from time to time increase the rate of
interest being charged on the unpaid principal balance of the
borrower's open-end loans if the licensee mails or delivers written
notice of the change to the borrower at least thirty days before the
effective date of the increase unless the increase has been earlier
agreed to by the borrower. However, the borrower may choose to
terminate the open-end account and the licensee shall allow the
borrower to repay the unpaid balance incurred before the effective
date of the rate increase upon the existing open-end loan account
terms and interest rate unless the borrower incurs additional debt on
or after the effective date of the rate increase or otherwise agrees
to the new rate.

(7) The licensee shall deliver a copy of the open-end loan
agreement to the borrower at the time the open-end account is created.
The agreement must contain the name and address of the licensee and of
the principal borrower, and must contain such specific disclosures as
may be required by rule of the director. In adopting the rules the
director shall consider Regulation Z promulgated by the board of
governors of the federal reserve system under the federal consumer
credit protection act.

(8) Except in the case of an account that the licensee deems to
be uncollectible, or with respect to which delinquency collection
procedures have been instituted, the licensee shall deliver to the
borrower at the end of each billing cycle in which there is an
outstanding balance of more than one dollar in the account, or with
respect to which interest is imposed, a periodic statement in the form
required by the director. In specifying such form the director shall
consider Regulation Z promulgated by the board of governors of the
federal reserve system under the federal consumer credit protection
act. [2009 c 149 § 13; 1994 c 92 § 168; 1993 c 405 § 1; 1991 c 208 §
12.]