

# HOUSE BILL REPORT

## SHB 1182

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**As Reported By House Committee On:**  
Law & Justice

**Title:** An act relating to the uniform commercial code.

**Brief Description:** Modifying the uniform commercial code.

**Sponsors:** House Committee on Law & Justice (originally sponsored by Representatives Hickel and Appelwick).

**Brief History:**

**Committee Activity:**

Law & Justice: 1/12/96 [DP2S].

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### HOUSE COMMITTEE ON LAW & JUSTICE

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 16 members: Representatives Sheahan, Chairman; Delvin, Vice Chairman; Hickel, Vice Chairman; Dellwo, Ranking Minority Member; Costa, Assistant Ranking Minority Member; Carrell; Chappell; Cody; Lambert; McMahan; Morris; Murray; Robertson; Smith; Sterk and Veloria.

**Staff:** Pat Shelledy (786-7149).

**Background:** The Uniform Commercial Code (UCC) governs commercial transactions. The UCC is divided into 11 articles. Several provisions in various articles contain cross-references to other provisions in other articles. In 1993, the Legislature substantially revised Articles 3 and 4 in accordance with recommendations of the National Conference of Commissioners on Uniform State Laws. The 1993 act did not amend some provisions of the UCC that contain cross-references to sections that were amended or repealed by the 1993 act.

Two conflicting provisions of law govern imposition and calculation of interest on commercial instruments. The long-standing rule in Washington is that a loan bears interest at 12 percent per annum unless the parties agree in writing to another rate. (RCW 19.52.010) However, a provision in the UCC that governs negotiable instruments provides that, unless otherwise provided in the instrument, an instrument is not payable with interest. The provision further provides that if the instrument allows for interest but does specify the rate, the rate will be set at the judgment rate

in effect at the place of payment and at the time interest first accrues. (RCW 62A.3-112)

**Summary of Second Substitute Bill:** Technical changes to the Uniform Commercial Code are made to update cross-references, delete references to repealed sections, and reflect name changes.

The two conflicting provisions of law governing imposition and calculation of interest are reconciled by including a reference in the UCC provision governing interest on instruments to the Washington rule regarding imposition and calculation of interest on loans.

**Second Substitute Bill Compared to Substitute Bill:** The second substitute bill is the same as the substitute bill except for technical corrections.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Second Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** None.

**Testimony Against:** None.

**Testified:** None.