

REFERENCE TITLE: motor vehicle title loans; prohibition

State of Arizona  
House of Representatives  
Fifty-sixth Legislature  
First Regular Session  
2023

## **HB 2627**

Introduced by  
Representative Cano

AN ACT

AMENDING SECTIONS 44-281, 44-286 AND 44-291, ARIZONA REVISED STATUTES;  
RELATING TO MOTOR VEHICLE TITLE LOANS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 44-281, Arizona Revised Statutes, is amended to  
3 read:

4 44-281. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Administrator" means the deputy director of the financial  
7 institutions division of the department of insurance and financial  
8 institutions.

9 2. "Cash sale price" means the price stated in a retail installment  
10 contract for which the seller would have sold to the buyer, and the buyer  
11 would have bought from the seller, the motor vehicle that is the subject  
12 matter of the retail installment contract, if such sale had been a sale  
13 for cash instead of a retail installment transaction. The cash sale price  
14 may include charges for accessories and their installation and for  
15 delivery, and servicing, repairing or improving the motor vehicle, and for  
16 charges for other costs that are necessary or incidental to the  
17 transaction and that the seller furnishes or agrees to pay on behalf of  
18 the buyer, including taxes, assessor's fees, license fees and fees for  
19 filing, recording or otherwise perfecting or releasing a reserved title or  
20 lien, and may include a reasonable charge for the seller's services.

21 3. "Finance charge" means the amount agreed on between the buyer  
22 and the seller, as limited herein, which in determining the cost of the  
23 motor vehicle is added to the aggregate of the following: The cash sale  
24 price and the amount, if any, included for insurance and other benefits  
25 where a separate cost is assigned thereto.

26 4. "Holder" of a retail installment contract means the retail  
27 seller of the motor vehicle under or subject to the contract or, if the  
28 contract is purchased by a sales finance company or other assignee, the  
29 sales finance company or other assignee.

30 5. "Motor vehicle" means any self-propelled device in or by which  
31 any person or property is or may be transported or drawn on a public  
32 highway, except:

33 (a) Devices that move on or are guided by a track or travel through  
34 the air.

35 (b) The following, if not designed primarily for highway  
36 transportation, but that may incidentally be operated on a public highway:

37 (i) Tractors.

38 (ii) Buses.

39 (iii) Trucks.

40 (iv) Power shovels.

41 (v) Road machinery.

42 (vi) Agricultural machinery.

43 6. "Person" means an individual, partnership, association, trust,  
44 corporation or other legal entity.

1           7. "Retail buyer" or "buyer" means a person who buys a motor  
2 vehicle from a retail seller, not for the purpose of resale, and who  
3 executes a retail installment contract in connection therewith.

4           8. "Retail installment contract" or "contract":

5           (a) Means an agreement, entered into in this state, pursuant to  
6 which the title to or a lien on the motor vehicle, which is the subject  
7 matter of a retail installment transaction, is retained or taken by a  
8 retail seller from a retail buyer as security for the buyer's obligation.

9           (b) Includes:—

10           ~~(i)~~ a conditional sales contract and a contract for the bailment or  
11 leasing of a motor vehicle by which the bailee or lessee contracts to pay  
12 as compensation for its use a sum substantially equivalent to or in excess  
13 of its value and by which it is agreed that the bailee or lessee is bound  
14 to become, or has the option of becoming, the owner of the motor vehicle  
15 for no other or a nominal consideration on full compliance with the  
16 provisions of the contract.

17           ~~(ii) A secondary motor vehicle finance transaction.~~

18           9. "Retail installment transaction" means any transaction evidenced  
19 by a retail installment contract entered into between a retail buyer and a  
20 retail seller wherein the retail buyer buys a motor vehicle from the  
21 retail seller at a cost payable in one or more deferred installments. The  
22 cash sale price of the motor vehicle, the amount included for insurance if  
23 a separate charge is made and the finance charge shall together constitute  
24 the cost of the motor vehicle.

25           10. "Retail seller" or "seller" means a person who sells a motor  
26 vehicle to a retail buyer for purposes other than resale under or subject  
27 to a retail installment contract. For the purposes of paragraph 12 of  
28 this section "seller" means a person who sells and retains the use of the  
29 motor vehicle.

30           11. "Sales finance company":

31           (a) Means a person engaged, in whole or in part, in the business of  
32 purchasing retail installment contracts from one or more retail sellers.

33           (b) Includes a person engaged, in whole or in part, in the business  
34 of creating or holding retail installment contracts that exceed a total  
35 aggregate outstanding indebtedness of \$50,000.

36           (c) Does not include:

37           (i) The pledgee of an aggregate number of retail installment  
38 contracts to secure a bona fide loan thereon.

39           (ii) A motor vehicle dealer who creates retail installment  
40 contracts and assigns the retail installment contracts to third-party  
41 lenders or financial institutions.

42           12. "Secondary motor vehicle finance transaction":

43           (a) Means any contract that includes provisions for either:

44           (i) Obtaining a security interest in or lien on a motor vehicle  
45 other than in connection with the sale of that motor vehicle.

1 (ii) The sale or conditional sale of a motor vehicle and the  
2 seller's right to retain use of the motor vehicle after the sale or  
3 conditional sale.

4 (b) Includes any conditional sales contract or contract for the  
5 bailment or leasing of a motor vehicle in which the bailee or lessee  
6 agrees to pay for use of the motor vehicle and the bailee or lessee is  
7 required to become or has the option of becoming the owner of the vehicle  
8 for any or no compensation.

9 (c) Does not include any commercial transaction as defined in  
10 section 44-291.

11 Sec. 2. Section 44-286, Arizona Revised Statutes, is amended to  
12 read:

13 44-286. Requirements and prohibitions as to retail  
14 installment contracts; secondary motor vehicle  
15 finance transactions prohibited

16 A. A retail installment contract shall be in writing, shall be  
17 signed by both the buyer and the seller and shall be completed as to all  
18 essential provisions ~~prior to~~ BEFORE the signing of the contract by the  
19 buyer. The printed portion of the contract, other than instructions for  
20 completion, shall be in at least ~~eight point~~ EIGHT-POINT type. The  
21 contract shall contain in a size equal to at least ~~ten point~~ TEN-POINT  
22 bold type BOTH:

23 1. A specific statement that liability insurance coverage for  
24 bodily injury and property damage caused to others is not included, if  
25 that is the case. ~~, and~~

26 2. The following notice: "Notice to the buyer: 1. Do not sign  
27 this contract before you read it or if it contains any blank spaces.  
28 2. You are entitled to an exact copy of the contract you sign."

29 B. The seller shall deliver to the buyer, or mail to ~~him~~ THE BUYER  
30 at ~~his~~ THE address shown on the contract, a copy of the contract signed by  
31 the seller. Until the seller does so, a buyer who has not received  
32 delivery of the motor vehicle shall have the right to rescind ~~his~~ THE  
33 BUYER'S agreement and to receive a refund of all payments made and return  
34 of all goods traded in to the seller on account of or in contemplation of  
35 the contract, or if the goods cannot be returned, the value thereof. Any  
36 acknowledgment by the buyer of delivery of a copy of the contract shall be  
37 in a size equal to at least ~~ten point~~ TEN-POINT bold type, and, if  
38 contained in the contract, shall appear directly above the buyer's  
39 signature.

40 C. A PERSON, WHETHER LOCATED IN THIS STATE OR IN ANOTHER STATE, MAY  
41 NOT MAKE, OFFER OR ARRANGE A SECONDARY MOTOR VEHICLE FINANCE TRANSACTION  
42 TO OR WITH AN INDIVIDUAL IN THIS STATE. A TRANSACTION THAT IS MADE IN  
43 VIOLATION OF THIS SUBSECTION IS VOID AS TO PRINCIPAL AND ALL CHARGES,  
44 CONSTITUTES AN UNLAWFUL PRACTICE UNDER SECTION 44-1522 AND IS SUBJECT TO

1 THE ENFORCEMENT PROCEDURES AND ALL PENALTIES UNDER CHAPTER 10, ARTICLE 7  
2 OF THIS TITLE.

3 Sec. 3. Section 44-291, Arizona Revised Statutes, is amended to  
4 read:

5 44-291. Computation of interest; prepayment rebate;  
6 additional charges; definitions

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

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

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

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

1 E. Notwithstanding the late payment or delinquency charge provided  
2 in subsection C of this section, in a commercial transaction, the seller  
3 or holder may charge a late payment or delinquency charge, in addition to  
4 all finance charges permitted, on each installment not paid in full on the  
5 tenth day after its due date in an amount of not more than five ~~per cent~~  
6 PERCENT of the unpaid balance of the installment.

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

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

27 ~~1. Five hundred dollars or less, a monthly finance rate of  
28 seventeen per cent.~~

29 ~~2. More than five hundred dollars but not more than two thousand  
30 five hundred dollars, a monthly finance rate of fifteen per cent.~~

31 ~~3. More than two thousand five hundred dollars but not more than  
32 five thousand dollars, a monthly finance rate of thirteen per cent.~~

33 ~~4. More than five thousand dollars, a monthly finance rate of ten  
34 per cent.~~

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

1 ~~f. 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 ~~f.~~ G. For the purposes of this section:

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

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