

7 falls on a Sunday, holiday, or another business day on which the par-
8 ticular association is normally closed, then money received by the next
9 business day shall earn dividends from the first of that month."

1 SEC. 9. Section five hundred sixty-five A point four (565A.4),
2 Code 1962, is hereby amended by inserting after the word "bank" in
3 line nine (9) of subsection seven (7) the following: "or in share
4 accounts in savings and loan associations".

1 SEC. 10. Section five hundred sixty-five A point one (565A.1),
2 Code 1962, is amended by inserting in line ten (10) of subsection
3 twelve (12) after the comma, the following: "or shares invested in
4 savings and loan associations".

Approved April 13, 1965.

CHAPTER 409

SMALL LOAN CONTRACTS

S. F. 146

AN ACT to increase the maximum amount of small loan under chapter five hundred thirty-six (536), Code 1962, to amend other sections of said chapter, and to amend section five hundred thirty-five point six (535.6), Code 1962, relating to penalties for excessive interest.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section five hundred thirty-five point six (535.6),
2 Code 1962, is hereby amended by adding thereto the following:
3 "Provided, however, this section shall not apply to lawful loans under
4 chapter five hundred thirty-six (536) of the Code."

1 SEC. 2. Section five hundred thirty-six point one (536.1), Code
2 1962, is hereby amended by striking from lines five (5) and six (6)
3 the words "five hundred" and inserting in lieu thereof the words
4 "one thousand (1000)".

1 SEC. 3. Section five hundred thirty-six point twelve (536.12),
2 Code 1962, is hereby amended by striking from lines nine (9) and
3 ten (10) the words "five hundred" and inserting in lieu thereof the
4 words "one thousand (1000)".

1 SEC. 4. Section five hundred thirty-six point thirteen (536.13),
2 Code 1962, is hereby amended as follows:

3 1. By striking from line two (2) of subsection five (5) the words
4 "five hundred" and inserting in lieu thereof the words "one thousand
5 (1000)".

6 2. By striking from line three (3) of subsection six (6) the words
7 "five hundred" and inserting in lieu thereof the words "one thousand
8 (1000)".

1 SEC. 5. Section five hundred thirty-six point fifteen (536.15),
2 Code 1962, is hereby amended as follows:

3 1. By striking from line eight (8) the words "five hundred" and
4 inserting in lieu thereof the words "one thousand (1000)".

5 2. By striking from lines fourteen (14) and fifteen (15) the words
6 "five hundred" and inserting in lieu thereof the words "one thousand
7 (1000)".

1 SEC. 6. Section five hundred thirty-six point sixteen (536.16),
2 Code 1962, is hereby amended by striking from line two (2) the
3 words "five hundred" and inserting in lieu thereof the words "one
4 thousand (1000)".

1 SEC. 7. Section five hundred thirty-six point eighteen (536.18),
2 Code 1962, is hereby amended as follows:

3 1. By striking from line nine (9) the words "five hundred" and
4 inserting in lieu thereof the words "one thousand (1000)".

5 2. By striking from lines eighteen (18) and nineteen (19) the
6 words "five hundred" and inserting in lieu thereof the words "one
7 thousand (1000)".

1 SEC. 8. Section five hundred thirty-six point thirteen (536.13),
2 Code 1962, is hereby amended by striking all of line one (1) of sub-
3 section four (4) thereof and by inserting in lieu thereof the follow-
4 ing: "Beginning July 4, 1965, and under such", and by striking the
5 period at the end of subsection four (4) and inserting a comma in
6 lieu thereof and adding thereto the following: "but not exceeding
7 seven hundred (700) dollars, and one (1) per cent per month on any
8 part of the unpaid principal balance of the loan in excess of seven
9 hundred (700) dollars."

1 SEC. 9. Chapter five hundred thirty-six (536), Code 1962, is
2 hereby amended by adding thereto the following new section:

3 "The final maturity date of loans made by a licensee under this
4 chapter cannot be more than twenty-four (24) months and fifteen
5 (15) days from the date of making such loans if the principal amount
6 of the loan is five hundred (500) dollars or less and if the principal
7 amount of the loan exceeds five hundred (500) dollars, the final matu-
8 rity date cannot be more than thirty-six (36) months and fifteen
9 (15) days from the date such loans are made."

1 SEC. 10. Section five hundred thirty-six point thirteen (536.13),
2 Code 1962, is hereby amended as follows:

3 1. By striking lines five (5), six (6), seven (7), eight (8), nine
4 (9), ten (10), eleven (11) and twelve (12) of subsection six (6) and
5 inserting in lieu thereof the following:

6 "Interest shall not be paid, deducted or received in advance; shall
7 not be compounded; shall be computed only on unpaid principal bal-
8 ances for the number of days actually elapsed and for the purpose of
9 such computations a month shall be any period of thirty (30) con-
10 secutive days, but interest may be precomputed as provided in sub-
11 section seven (7) of this section. If part or all of the consideration
12 for a loan contract is the unpaid principal balance of a prior loan
13 with the same licensee, then the principal amount payable under such
14 loan contract may include the amount due on a precomputed contract

15 after giving the rebate required by subsection seven (7) of this sec-
16 tion. No”.

17 2. By adding the following new subsection seven (7) :

18 “7. Where the contract of loan requires repayment in substantially
19 equal and consecutive monthly installments of principal and interest
20 combined, the licensee may, at the time the loan is made, precompute
21 the interest at the agreed monthly rate on scheduled unpaid principal
22 balances according to the terms of the contract and add such interest
23 to the principal of the loan and include it in the amount of the loan
24 contract, but the principal excluding interest cannot exceed one thou-
25 sand (1000) dollars. Every payment may be applied to the combined
26 total of principal and precomputed interest until the contract is fully
27 paid. All payments made on account of any loan except for default
28 and deferment charges shall be deemed to be applied to the unpaid
29 installments in the order in which they are due. The portion of the
30 precomputed interest applicable to any particular month of the con-
31 tract, as originally scheduled or following a deferment, shall be that
32 proportion of such precomputed interest, excluding any adjustment
33 made for a first installment period of more than one (1) month and
34 any adjustment made for deferment, which the balance of the con-
35 tract scheduled to be outstanding during such month bears to the
36 sum of all monthly balances originally scheduled to be outstanding by
37 the contract. For the purpose of computation of precomputed inter-
38 est, a month shall be that period of time from any date in a month to
39 the corresponding date in the next month, but if there is no such
40 corresponding date then to the last day of the next month and a day
41 shall be considered one-thirtieth ($\frac{1}{30}$) of a month when computation
42 is made for a fraction of a month. All loan contracts made pursuant
43 to this subsection shall be subject to the following adjustments:

44 “a. Notwithstanding the requirement for substantially equal and
45 consecutive monthly installments, the first installment period may
46 exceed one (1) month by as much as fifteen (15) days and the inter-
47 est for each day exceeding one (1) month shall be one-thirtieth
48 ($\frac{1}{30}$) of the interest which would be applicable to a first installment
49 period of one (1) month. The interest for extra days in the first
50 installment period may be added to the first installment and such
51 interest for such extra days shall be excluded in computing any
52 rebate except as provided in paragraph *b* hereof;

53 “b. If prepayment in full by cash, a new loan, or otherwise occurs
54 before the first installment due date, the interest shall be recomputed
55 at the agreed rate upon the actual unpaid principal balances of the
56 loan for the actual time outstanding by applying the payment, or
57 payments, first to interest at the agreed rate and the remainder to the
58 principal. The amount of interest so computed shall be retained in
59 lieu of all precomputed interest;

60 “c. If the contract is prepaid in full by cash, a new loan, or other-
61 wise on or after the first installment due date but before the final
62 installment due date, the borrower shall receive a rebate of an
63 amount which shall be not less than that portion of the precomputed
64 interest, excluding any adjustment for a first installment period of
65 more than one (1) month and any default and deferment charges,
66 applicable to the installment periods scheduled to follow the install-
67 ment date nearest the date of prepayment in full. For the purpose

68 of computing the rebate, any prepayment in full made on or before
69 the fifteenth day following an installment date shall be deemed to
70 have been made on the installment date immediately preceding the
71 date of prepayment in full and any prepayment in full made after
72 such fifteenth day shall be deemed to have been made on the install-
73 ment date immediately following the date of prepayment in full. Any
74 default and deferment charges which are due and unpaid may be de-
75 ducted from such rebate. No rebate shall be required for any partial
76 installment prepayment. If judgment is obtained before the final in-
77 stallment date the contract balance shall be reduced by the rebate
78 which would be required for prepayment in full as of the date judg-
79 ment is obtained;

80 "d. If any installment is unpaid in full for seven (7) or more con-
81 secutive days, Sundays and holidays included, after it is due, the
82 licensee may charge and collect a default charge not exceeding an
83 amount equal to the portion of the precomputed interest applicable
84 to the final installment period and a similar amount may be charged
85 and collected for each succeeding full month from such due date that
86 such installment remains wholly unpaid and outstanding. Such de-
87 fault charges may be collected when due or at any time thereafter;

88 "e. If, as of an installment due date, the payment date of all wholly
89 unpaid installments is deferred one (1) or more full months and the
90 maturity of the contract is extended for a corresponding period, the
91 licensee may charge and collect a deferment charge not exceeding the
92 interest applicable to the month preceding the first of the install-
93 ments deferred, multiplied by the number of months in the defer-
94 ment period. The deferment period is that period during which no
95 payment is made or required by reason of such deferment. The de-
96 ferment charge may be collected at the time of deferment or any time
97 thereafter. The portion of the precomputed interest applicable to
98 each deferred balance and installment period following the deferment
99 period shall remain the same as that applicable to such balance and
100 periods under the original contract of loan. No installment on which
101 a default charge has been collected, or on account of which any par-
102 tial payment has been made, shall be deferred or included in the
103 computation of the deferment charge unless such default charge or
104 partial payment is refunded to the borrower or credited to the defer-
105 ment charge. Any payment received at the time of deferment may
106 be applied first to the deferment charge and the remainder, if any,
107 applied to the unpaid balance of the contract; provided, that if such
108 payment is sufficient to pay, in addition to the appropriate deferment
109 charge, any installment which is in default and the applicable default
110 charge, it shall be first so applied and any such installment shall not
111 be deferred or subject to the deferment charge. If a loan is prepaid
112 in full during the deferment period, the borrower shall receive, in
113 addition to the required rebate, a rebate of that portion of the defer-
114 ment charge applicable to any unexpired full month or months of
115 such deferment period; and

116 "f. If two (2) or more full installments are in default for one (1)
117 full month or more at any installment date and if the contract so
118 provides, the licensee may reduce the contract balance by the rebate
119 which would be required for prepayment in full as of such install-
120 ment date and the amount remaining unpaid shall be deemed to be

121 the unpaid principal balance and thereafter in lieu of charging, col-
 122 lecting, receiving and applying interest and charges as provided in
 123 this subsection, interest may be charged, collected, received and ap-
 124 plied at the agreed rate as otherwise provided by this section until
 125 the loan is fully paid."

126 "g. In all cases the loan contract shall show the total interest to be
 127 paid in stated dollar amount, or in terms of simple annual interest,
 128 which shall be separately stated immediately after the stated figure
 129 of the principal in such loan contract."

130 3. The default and deferment charges and rebates referred to
 131 herein are computed on the interest rates authorized herein and such
 132 terms shall not be construed to authorize charges incident to the loan
 133 of money, beyond the rates of interest authorized herein and for the
 134 periods of time authorized in subsection seven (7) of section five
 135 hundred thirty-six point thirteen (536.13) of the Code.

1 SEC. 11. Section five hundred thirty-six point fourteen (536.14),
 2 Code 1962, is hereby amended by striking the "period (.)" in line six
 3 (6) of subsection two (2) and inserting a "semicolon (;)" in lieu
 4 thereof and adding thereto the following: "provided, however, if the
 5 interest has been precomputed the receipt need not be itemized and
 6 no receipt shall be required where payment is made by check or
 7 money order and the full amount of such check or money order is
 8 applied to the loan."

1 SEC. 12. Section five hundred thirty-six point fourteen (536.14),
 2 Code 1962, is hereby amended by adding the following new sentence
 3 at the end of subsection one (1): "When the loan is made pursuant
 4 to subsection seven (7) of section five hundred thirty-six point thir-
 5 teen (536.13) of the Code, the statement shall also contain a notice
 6 that default and deferment charges may be made and that a rebate
 7 of unearned interest may be made if the loan is prepaid prior to
 8 maturity."

1 SEC. 13. Section five hundred thirty-six point fourteen (536.14),
 2 Code 1962, is hereby amended as follows:

3 1. By inserting in line two (2) of subsection four (4) after the
 4 word "security" the words "other than a mortgage".

5 2. By inserting in line four (4) of subsection four (4) after the
 6 word "mortgage" the words "which no longer secures a loan to the
 7 licensee".

1 SEC. 14. Chapter five hundred thirty-six (536), Code 1962, is
 2 hereby amended by adding thereto the following new section:

3 "No licensee shall, directly or indirectly, sell or offer for sale any
 4 insurance in connection with any loan made under this chapter except
 5 as and to the extent authorized by this section. Life, accident and
 6 health insurance, or any of them, may be written by a licensed in-
 7 surance agent upon or in connection with any loan for a term not
 8 extending beyond the final maturity date of the loan contract but
 9 only upon one (1) obligor on any one (1) loan contract.

10 "The amount of life insurance shall at no time exceed the unpaid
 11 balance of principal and interest combined which are scheduled to be
 12 outstanding under the terms of the loan contract or the actual amount
 13 unpaid on the loan contract, whichever is greater.

14 "Accident and health insurance shall provide benefits not in excess
15 of the unpaid balance of principal and interest combined which are
16 scheduled to be outstanding under the terms of the loan contract and
17 the amount of each periodic benefit payment shall not exceed the total
18 amount payable divided by the number of installments and shall pro-
19 vide that if the insured obligor is disabled, as defined in the policy,
20 for a period of more than fourteen (14) days, benefits shall commence
21 as of the first day of disability.

22 "The premium, which shall be the only charge for such insurance,
23 shall not exceed that approved by the commissioner of insurance of
24 the state of Iowa as filed in the office of such commissioner. Such
25 charge, computed at the time the loan is made for the full term of the
26 loan contract on the total amount required to pay principal and in-
27 terest, shall be stated separately in the contract and in the same
28 location in such contract as are the statements of the principal and
29 interest of the loan.

30 "If a borrower procures insurance by or through a licensee, the
31 statement required by section five hundred thirty-six point fourteen
32 (536.14) shall disclose the cost to the borrower and the type of in-
33 surance, and the licensee shall cause to be delivered to the borrower
34 a copy of the policy within fifteen (15) days from the date such
35 insurance is procured. No licensee shall decline new or existing
36 insurance which meets the standards set out herein nor prevent any
37 obligor from obtaining such insurance coverage from other sources.

38 "If the loan contract is prepaid in full by cash, a new loan, or other-
39 wise (except by the insurance) any life, accident and health insur-
40 ance procured by or through a licensee shall be canceled and the un-
41 earned premium shall be refunded. The amount of such refund shall
42 represent at least as great a proportion of the insurance premium or
43 identifiable charge as the sum of the consecutive monthly balances
44 of principal and interest of the loan contract originally scheduled to
45 be outstanding after the installment date nearest the date of pre-
46 payment bears to the sum of all such monthly balances of the loan
47 contract originally scheduled to be outstanding.

48 "Notwithstanding any other provision of this chapter, any gain or
49 advantage to the licensee or to any employee, affiliate, or associate of
50 the licensee from such insurance or the sale or provision thereof shall
51 not be deemed to be additional or further interest or charges in con-
52 nection with such loan; nor shall any of the provisions pertaining to
53 insurance contained in this section be deemed prohibited by any other
54 provision of this chapter."

Approved April 23, 1965.