

CHAPTER 1168  
USURY PROVISIONS

S. F. 2375

AN ACT limiting the adjustment of rates of interest on certain closed-end loans executed prior to July 1, 1979, and in connection therewith repealing Acts of the Sixty-eighth General Assembly, 1980 Session, House File two thousand four hundred ninety-two (2492), sections fifteen (15) and sixteen (16), and making such repeal retroactive to the effective date of that Act.

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

Section 1. Section five hundred thirty-five point two (535.2), subsection four (4), Code 1979 Supplement is amended to read as follows:

4. a. Notwithstanding the provisions of subsection 3, with respect to any agreement which was executed prior to August 3, 1978, and which contained a provision for the adjustment of the rate of interest specified in that agreement, the maximum lawful rate of interest which may be imposed under that agreement shall be nine cents on the hundred by the year, and any excess charge shall be a violation of section 535.4.

b. Notwithstanding the limitation contained in paragraph a of this subsection, with respect to a written agreement for the repayment of money loaned, which was executed prior to August 3, 1978 and which provided for the payment of over fifty percent of the initial principal amount of the loan as a single payment due at the end of the term of the agreement, the interest rate may be adjusted after the effective date of this Act according to the terms of the agreement to any rate of interest permitted by the laws of this state as of the date an adjustment in interest is to be made. This paragraph does not authorize adjustment of interest in any manner other than that expressly permitted by the terms of the written agreement, and nothing contained in this paragraph authorizes the collection of additional interest with respect to any portion of a loan which was repaid prior to the effective date of an interest-rate adjustment.

Sec. 2. Section five hundred thirty-five point two (535.2), Code 1979 Supplement, is amended by adding the following new subsection:

NEW SUBSECTION. a. Notwithstanding the provisions of Acts of the Sixty-eighth General Assembly, 1980 Session, House File two thousand four hundred ninety-two (2492), with respect to any agreement which was executed on or after August 3, 1978 and prior to July 1, 1979, and which contained a provision for the adjustment of the rate of interest specified in the agreement, the maximum lawful rate of interest which may be imposed under that agreement shall be that rate which is two and one-half percentage points above the rate initially to be paid under the agreement, provided that the greatest interest-rate adjustment which may be made at any one time shall be

one-half of one percent and an interest rate adjustment may not be made until at least one year has passed since the last interest rate adjustment, and any excess charge shall be a violation of section five hundred thirty-five point four (535.4) of the Code.

b. Notwithstanding the limitation contained in paragraph a of this subsection, with respect to a written agreement for the repayment of money loaned which was executed on or after August 3, 1978, and prior to July 1, 1979, and which provided for the payment of over fifty percent of the initial principal amount of the loan as a single payment due at the end of the term of the agreement, the interest rate may be adjusted after the effective date of this Act according to the terms of the agreement to any rate of interest permitted by the laws of this state as of the date an adjustment in interest is to be made. This paragraph does not authorize adjustment of interest in any manner other than that expressly permitted by the terms of the written agreement, and nothing contained in this paragraph authorizes the collection of additional interest with respect to any portion of a loan which was repaid prior to the effective date of an interest-rate adjustment.

Sec. 3. Acts of the Sixty-eighth General Assembly, 1980 Session, House File two thousand four hundred ninety-two (2492), sections fifteen (15) and sixteen (16) are repealed. It is the intent of the general assembly that this section be retroactive to the effective date of House File two thousand four hundred ninety-two (2492) with the effect that sections fifteen (15) and sixteen (16) of that Act be void as if never enacted.

Sec. 4. This Act, being deemed of immediate importance, takes effect from and after its publication in the Quad City Times, a newspaper published in Davenport, Iowa, and in The Council Bluffs Nonpareil, a newspaper published in Council Bluffs, Iowa.

Approved May 24, 1980

I hereby certify that the foregoing Act, Senate File 2375, was published in the Quad City Times, Davenport, Iowa on June 2, 1980, and in The Council Bluffs Nonpareil, Council Bluffs, Iowa on June 2, 1980.

MELVIN D. SYNHORST, *Secretary of State*