January 28, 1955.
Passed on File.

~~House File~~ 172

By BANKS, BUILDING AND LOAN COMMITTEE.

Passed House, Date 2-7-54

Vote: Ayes 96 Nays 1

Passed Senate, Date ....

Vote: Ayes .... Nays ....

Approved ....

A BILL FOR

An Act to extend the lending period under the Bank Installment Loan Law.

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

Section 1. Section five hundred twenty-nine point four (529.4), Code 1954, is hereby amended by striking from line three (3) the words, "twenty-four and one-half months" and inserting in lieu thereof the words "thirty-seven months".

Sec. 2. This Act, being deemed of immediate importance, shall take effect and be in full force from and after its passage and publication in the Eldora Herald-Ledger, a newspaper published at Eldora, Iowa, and in the Sibley Gazette-Tribune, a newspaper published at Sibley, Iowa.

EXPLANATION OF H. F. 172

In the purchase of various commodities and equipment there has been a gradual increased desire expressed by borrowers for more time in which to make payments. The cost of commodities and equipment and for material and supplies, particularly with respect to property improvement and repair loans has increased measurably and the lengthening of time during which to pay on an installment basis the cost of such commodities and material can be of distinct convenience for the borrower and particularly those with families. Banks throughout the country have been giving during the past two or three years, great attention to lending for and setting up their own property improvement and repair loans plans. In the several states that have bank installment loan laws, attention has been given to extending the lendable period to banks operating under those laws. In New York State the lending period has been extended from 24 to 37 months; in the State of New Jersey the time has been extended from 24 to 36 months; in Kentucky a relatively new law permits such bank loans to be made for 3 years and 32 days the same as under the FHA Act; in Delaware installment loans can be made for 36 months; in Ohio installment loans can be made for 36 months; the same is true in the State of Pennsylvania. The attached measure seeking to extend the lendable period from 24½ months to 37 months would enable the Iowa banks to have the same privilege in that regard as the Legislatures of the other states have already given or are giving to their own banks to help those banks to be of still greater service to their local customers. Extending this lendable period under Iowa's Bank Installment Loan Law to 37 months will enable our banks to make property improvement and repair and modernization loans to Iowa borrowers approximately on the same basis as such improvement or repair loans are now made under Title I of the FHA Act. If banks could make such repair and such property improvement loans for 37 months, they would make them at less cost to the borrower because the cost of the insurance required under the FHA Act would be eliminated if the loan were made through a bank. Thus any modernization loan could still be made under the FHA law if the insurance is desired, or the loan could be made through the local bank itself if the insurance was not desired. Attention is called to the fact that the Iowa Bank Installment Loan Law has since its enactment by the General Assembly in 1945 permitted an installment loan or loans to any one borrower up to an amount outstanding at any one time not in excess of $2500.00 That is the same amount that is permitted under the FHA Act for repair and property improvement loans under Title I of that Act. It is significant that Congress when it revised and reenacted the FHA law, known as the Housing Act of 1954 signed by the President August 2, 1954, did not seemingly believe it was needed nor necessary to increase that lendable amount above $2500.00, and so Congress continued the same amount as contained in the old FHA law. The Iowa banks will welcome the opportunity to have the privilege of making such sound property improvement and modernization and repair loans as they may be able if given this longer lending period that more nearly matches that which is permitted under Title I of the FHA Act. Attention is called to the fact that in some states the lending time has been extended to some fraction of a month for the convenience of borrowers on salary, but the attached bill would follow the New York law which makes it a full 37 months and does away with fractional months. A recent press statement says that "from a recently reported survey by the bureau of the census, United States department of commerce * * * home owners the country over were found to have spent about 3 billion dollars improving their properties during the first 5 months of last year. More than 70 percent of all home owners spent something for fixing up or improving their homes, and they average $169 for the five months."

Summarizing the foregoing: This bill would aid Iowa banks to better care for longer credit needs for their deserving customers desiring or needing to borrow on an installment loan plan; it would also place banks on a basis more comparable to that now enjoyed by certain other classes of installment lenders, and it will make the Iowa Bank Installment Loan Law more in line with similar but revised laws of the various other states. This bill is approved by both the State Banking Department and the Iowa Bankers Association.

The following will show how the bill would amend the present law: The part in italic would be repealed, the part in bold face would be new subject matter.

529.4 Maturity. Each such installment loan shall mature within a period of not to exceed *twenty-four and one-half months* **thirty-seven months.**