

February 3, 1959.  
Banks, Building and  
Loan.

## House File 235

By MILROY, PAUL, LOSS, NUTT, REPERT,  
GORDY, KLEUVER, AUBREY and ROCK-  
WELL (Long, Shoeman, Vance, O'Malley  
and Eppers).

Passed House, Date 3-19-59 Passed Senate, Date 3-23-59  
Vote: Ayes 74 Nays 22 Vote: Ayes 44 Nays 7  
Approved 3-30-59

*House concerned  
in Senate  
amendments  
3/26  
passed  
3/26  
yeas 85  
nays 12*

# A BILL FOR

An Act to amend chapter five hundred thirty-six (536), Code 1958, relating to the making of small loans so as to increase the maximum amount of loan under said chapter, to regulate the rate of interest on such loans, and to amend section five hundred thirty-five point six (535.6), Code 1958, relating to penalties for excessive interest.

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

**This is a Companion Bill; for complete text see Senate File 128.**

### EXPLANATION OF HOUSE FILE 235

Thirty-seven years ago, the 39th General Assembly passed the Small Loan Law with a maximum loan limit of \$300 which is no longer adequate to satisfy the needs of the borrower and serve the same purpose as when the present law was enacted. This bill increases the limit from \$300 to \$600 providing for an interest rate of 1½ percent per month on the unpaid principal balance over \$300.

Under a \$300 loan limit many borrowers are required to borrow from more than one lender to obtain the amount of money needed. This results in economic loss and unnecessary cost and inconvenience to the borrower. Raising the loan limit to \$600 will permit such persons to borrow at lower rates of interest since the rate of interest on the larger loans would be considerably less than the rate applicable to smaller loans of \$300 or less.

Most of the small loan laws in other states have been amended by increasing the maximum loan limit.

The State Banking Board would retain the power to adjust the rate as now provided in chapter 586.

HOUSE FILE 235

1 Amend House File 235 by adding the following sections:

2 1. "Section five hundred thirty-six point seven (536.7),  
3 Code 1958, is amended by striking all of said section and  
4 substituting therefor the following:

5 'It shall be unlawful for the superintendent to issue more  
6 than one license to any individual, co-partnership, firm, company,  
7 association, or corporation; that license shall authorize such  
8 individual, co-partnership, firm, company, association, or  
9 corporation to open and maintain only one place of business in  
10 this state and that location or any later change thereof shall  
11 be first approved by the superintendent. Once having been  
12 issued a license, no such individual, co-partnership, firm,  
13 company, association, or corporation shall be permitted, either  
14 directly or indirectly or through any means or device whatsoever,  
15 to obtain an additional license. Provided, however, that a licensee  
16 who prior to January 28, 1959 held more than one license author-  
17 izing more than one place of business in this state, may retain  
18 the same; but if such licensee suspends for a period of more  
19 than three (3) months or finally terminates any place of business  
20 it has been operating in this state, the license for the same  
21 shall be surrendered to the superintendent forthwith and in  
22 that event no additional license shall be granted to such  
23 licensee for another place of business in this state in its  
24 stead, but this prohibition shall only apply to the number of  
25 places of business in excess of one place of business of those  
26 licensees who prior to the above date held more than one license.'"

27 2. "Section five hundred thirty-six point nineteen  
28 (536.19), Code 1958, is amended by striking all of line 6  
29 thereof and substituting in lieu thereof the words, 'of this chapter'".

30 3. "Chapter five hundred thirty-six (536), Code 1958, is  
31 amended by adding thereto the following new section:

32 'Beginning with his 1959 annual report, the superintendent  
33 of banking shall, in listing the names of licensees under this  
34 chapter, indicate if the licensee is one of a chain of two or  
35 more such licensees, the name of the owner and the address of  
36 the principal place of business of each owner, a summary of in-  
37 dividual reports of each such licensed office indicating its  
38 location, the name of licensee, capital, surplus, reserves,  
39 loans receivable, cash and due from banks, real estate, borrowed  
40 money, net worth, total assets, total liabilities and such  
41 other pertinent and related information as may be necessary or  
42 desirable to give a correct and full picture of the total assets  
43 and total liabilities of each such licensee.'"

44 4. "Section five hundred thirty-six point eleven (536.11),  
45 Code 1958, is hereby amended as follows:

46 1. By striking from line thirteen (13) thereof the words  
47 'twentieth day of January' and inserting in lieu thereof the  
48 words 'fifteenth day of March.'"

49 5. "Chapter five hundred thirty-six (536), Code 1958,  
50 is amended by adding thereto the following new section:

51 'Every licensee when making a loan hereunder shall require  
52 a statement in writing from each applicant setting forth a  
53 description of all installment indebtedness of such applicant  
54 by giving the amount of each such loan and the name of the  
55 lender.'"

Filed and lost  
March 19, 1959.

MILROY of Ben  
DITZ of Scott.

1 Amend House File 235 as follows:  
2 1. Amend section one (1), line four (4) by striking  
3 the word and figure "six (6)" and inserting in lieu  
4 thereof the word and figure "five (5)".  
5 2. Amend section two (2), line three (3) by striking  
6 the word and gure "six (6)" and inserting in lieu  
7 thereof the word and figure "five (5)".  
8 3. Amend section three (3), line three (3) by strik-  
9 ing the word and figure "six (6)" and inserting in  
10 lieu thereof the word and figure "five (5)".  
11 4. Amend section four (4), subsection one (1), line  
12 two (2) by striking the word and figure "six (6)"  
13 and inserting in lieu thereof the word and figure  
14 "five (5)". Further amend section four (4), subsection  
15 two (2), line two (2) by striking the word and figure  
16 "six (6)" and inserting in lieu thereof the word and  
17 figure "five (5)".  
18 5. Amend section five (5), line four (4) by striking  
19 the word and gure "six (6)" and inserting in lieu  
20 thereof the word and figure "five (5)".  
21 6. Amend section six (6), line four (4) by striking  
22 the word and figure "six (6)" and inserting in lieu  
23 thereof the word and figure "five (5)".  
24 7. Amend section seven (7), line four (4) by striking  
25 the word and figure "six (6)" and inserting in lieu  
26 thereof the word and figure "five (5)".

*Senate File 128*

*Companion Bill*

*admitted 3-18*

Filed  
February 19, 1959.

COMMITTEE ON BANKS, BUILDING AND LOAN,  
DIETZ of Scott, *Chairman.*

1 Amend House File 235 by striking all of section eight (8)  
2 and inserting in lieu thereof the following:  
3 "Sec. 8. Section five hundred thirty-six point thirteen  
4 (536.13), Code 1958, is hereby amended by striking all of  
5 line one (1) of subsection four (4) and by substituting in  
6 lieu thereof the following: 'Beginning July 4, 1959 and until  
7 such'; and by striking from line five (5) the word 'three'  
8 and inserting in lieu thereof the words 'two and one-fourth';  
9 and by striking from lines seven (7) and eight (8) the words  
10 'two and one-half' and inserting in lieu thereof the words 'one  
11 and three-fourths'; and by adding at the end of the following  
12 'If such loan exceeds three hundred dollars (\$300.00) whether  
13 evidenced by one or more notes, then in that event the entire  
14 aggregate principal sum of such loan shall bear interest at a  
15 rate not in excess of one percent (1%) per month computed on  
16 the unpaid principal balance.' "

Filed  
March 16, 1959.

*Admitted 3-18*  
LUCKEN of Plymouth.

1 Amend House File 235 by adding thereto the following  
2 section:  
3 "Section five hundred thirty-six point thirteen (536.13),  
4 Code 1958, is amended by adding thereto the following new  
5 subsection:  
6 'If an assignment of wages is given as security for a loan  
7 made by a licensee under this chapter, then the employer of the  
8 borrower to whom said assignment is directed may make a  
9 service charge of not to exceed five dollars (\$5.00) for  
10 recognizing and handling such assignment. Such charge shall  
11 be payable in advance by the licensee to the employer before the  
12 assignment shall be valid and shall not be charged to the  
13 borrower.' "

Filed  
March 16, 1959.

*Admitted 3-18*  
STRINGER of Scott.

1 Amend House File 235 by adding thereto the following  
2 section:  
3 "Section five hundred thirty-six point thirteen (536.13),  
4 Code 1958, subsection four (4), is amended by adding thereto the  
5 following:  
6 'If an assignment of wages or collateral security is given as  
7 security for a loan made by a licensee under this chapter, then  
8 the foregoing maximum rates of interest or charges shall be  
9 reduced by one-half ( $\frac{1}{2}$ ). Any assignment of wages shall only  
10 be valid as to the named employer of the borrower at the time of  
11 the loan and shall contain a statement showing the principal of  
12 said loan and the interest or charges made.'"

Filed  
March 16, 1959.

*June 4 5-18*  
MARTIN of Linn.

1 Amend the Martin amendment to House File 235 by striking  
2 all of lines six (6), seven (7) and eight (8) and line nine (9)  
3 up to and including the period after the figure " $(\frac{1}{2})$ ".

Offered from the floor and adopted  
March 18, 1959.

REPERT of Polk.

1 Amend the Stanley and Dietz amendment to House File 235  
2 by adding a new section as follows:  
3 3. However, the maximum lawful rate of interest and  
4 charges or combination thereof upon any loan made by a  
5 licensee under the provisions of this chapter shall not  
6 be reduced to one per cent (1%) per month upon the unpaid  
7 principal balance if the borrower has represented in  
8 writing to the licensee that he, nor any member of his  
9 family, has outstanding a loan made to any of them under  
10 the provisions of this chapter, and if the licensee  
11 after making investigation reasonably relies on such  
12 representation.

Filed  
March 18, 1959.

*W. J. ... 3-19*  
CARSTENSEN of Clinton.

1 Amend House File 235 by adding a new section thereto as follows:  
2 Chapter 536, Code 1958, is hereby amended by adding thereto  
3 a new section as follows:  
4 Notwithstanding any other provision of this chapter, the max-  
5 imum lawful rate of interest and charges or combination thereof upon  
6 any loan made by a licensee under the provisions of this chapter shall  
7 be one percent (1%) per month upon the unpaid principal balance, with  
8 respect to:  
9 1. Any loan made by a licensee under the provisions of this  
10 chapter to a borrower if such borrower or his spouse is at the time of  
11 making such loan indebted to such licensee or to another licensee on  
12 a loan under the provisions of this chapter, unless such other loan is  
13 paid in full within 24 hours.  
14 2. Any loan made by a licensee under the provisions of this  
15 chapter to a borrower who is a member of the family of another  
borrower  
16 who is at the time of making such loan indebted to such licensee on a  
17 loan under the provisions of this chapter, unless such other loan is  
18 paid in full within 24 hours. For this purpose "family" means two or  
19 more related persons living in the same household.  
20 However, the provisions of this section shall not apply to a  
21 loan made in good faith by a licensee in reliance upon a false repre-  
22 sentation by another licensee that neither the borrower nor his spouse  
23 is indebted to such other licensee. The burden of proving such good  
24 faith reliance shall be upon the licensee. The making of such a false  
25 representation knowingly by a licensee shall be cause for the revoca-  
26 tion of such licensee's license as provided in section 536.9, Code 1958.

Filed  
March 18, 1959.

*W. J. ... 2-15*  
STANLEY of Muscatine.  
DIETZ of Scott.

1 Amend House File 235 by adding thereto a new section as  
2 follows:

3 Chapter 526, Code 1958, is hereby amended by adding  
4 thereto a new section as follows:

5 Notwithstanding any other provision of this chapter, the  
6 maximum rate of interest and charges or combination thereof  
7 upon any loan made by a licensee under the provisions of this  
8 chapter shall be one per cent (1%) per month upon the unpaid  
9 principal balance and any higher rate provided for or agreed  
10 upon shall be payable and enforceable only to the extent of  
11 one per cent (1%) per month upon the unpaid principal balance,  
12 with respect to:

13 1. Any loan made by a licensee under the provisions of  
14 this chapter to a borrower if such borrower, his spouse or  
15 a member of his family is at the time of making such loan  
16 indebted to such licensee on a loan under the provisions of  
17 this chapter or under the provisions of a small loan law of  
18 any other state, unless such prior loan is paid in full within  
19 forty-eight (48) hours. For this purpose "family" means  
20 related persons living in the same household.

21 2. Any loan made by a licensee under the provisions of  
22 this chapter to a borrower if such borrower or his spouse is  
23 at the time of making such loan indebted to another licensee  
24 on a loan under the provisions of this chapter or to the  
25 maker of a loan under the provisions of a small loan law of  
26 any other state, unless such prior loan is paid in full within  
27 forty-eight (48) hours.

28 Interest and charges or combination thereof upon any  
29 loan made under the provisions of a small loan law of any  
30 other state shall be payable and enforceable in Iowa only to  
31 the extent of one per cent (1%) per month upon the unpaid  
32 principal balance, with respect to:

33 3. Any such loan made to a borrower who is a resident  
34 of Iowa at the time of making such loan if such borrower, his  
35 spouse or a member of his family is at the time of making such  
36 loan indebted to the maker thereof on a loan under the  
37 provisions of this chapter or under the provisions of a small  
38 loan law of any other state, unless such prior loan is paid in  
39 full within forty-eight (48) hours. For this purpose "family"  
40 means related persons living in the same household.

41 4. Any such loan made to a borrower who is a resident  
42 of Iowa at the time of making such loan if such borrower or  
43 his spouse is at the time of making such loan indebted to any  
44 licensee on a loan under the provisions of this chapter or to  
45 the maker of a loan under the provisions of a small loan law  
46 of any other state, unless such prior loan is paid in full  
47 within forty-eight (48) hours.

48 However, the provisions of this section shall not apply  
49 to any loan of the kinds referred to in subsections two (2)  
50 and four (4) of this section, if (a) such loan is made in good  
51 faith in reliance upon the statement of the borrower, subscribed  
52 and sworn to within ten (10) days prior to the making of the  
53 loan before an officer authorized to take acknowledgments, upon  
54 an instrument separate from any other instrument relating to  
55 the transaction, to the effect that neither the borrower nor  
56 his spouse is indebted to any person, copartnership,  
57 association or corporation on a loan made under the provisions  
58 of this chapter or under the provisions of a small loan law of  
59 any other state; and (b) the maker of such loan makes a  
60 reasonable investigation as to the truth of such borrower's  
61 statement prior to the making of the loan.

62 For the purposes of this section, including but not  
63 limited to the interpretation of the words "licensee" and  
64 "maker", any two or more domestic or foreign copartnerships,  
65 associations or corporations in which majority voting control  
66 is held directly or indirectly by the same person or persons,  
67 shall be regarded as one and the same entity.

68 Nothing contained in this section shall authorize any  
69 violation of any other provision of this chapter.

70 Further amend House File 235 by adding a new section  
71 thereto as follows:

72 If a court of competent jurisdiction shall adjudge to  
73 be invalid or unconstitutional any clause, sentence, paragraph,  
74 section or part of this Act, such judgment or decree shall not  
75 affect, impair, invalidate or nullify the remainder of this  
76 Act, but the effect thereof shall be confined to the clause,  
77 sentence, paragraph, section or part of this Act so adjudged  
78 to be invalid or unconstitutional.

Filed and lost  
March 19, 1959.

STANLEY of Muscatine,  
CARSTENSEN of Clinton.

HOUSE FILE 235

1 Amend House File 235 by adding the following sections:

2 1. "Section five hundred thirty-six point four (536.4),  
3 Code 1958, is hereby amended as follows:

4 1. By striking from line four (4) thereof the word 'such' and  
5 inserting in lieu thereof the words 'a thorough and complete';

6 2. By striking from line seven (7) thereof the word 'or' and  
7 inserting in lieu thereof the word 'and';

8 3. By inserting after the word 'investigation' in line seven  
9 (7) thereof the following: 'that the applicant can have a  
10 reasonable expectancy of a successful lending business at the  
11 location of the office for which application is made, and that  
12 there is a real need and necessity in that community for  
13 additional lending facilities to adequately serve the local  
14 people, and that said applicant is one who will command the  
15 respect of and confidence from the people in that community;'"

16 2. "Chapter five hundred thirty-six (536), Code 1958, is  
17 amended by adding thereto the following new section:

18 'Beginning with his 1959 annual report, the superintendent  
19 of banking shall, in listing the names of licensees under this  
20 chapter, indicate if the licensee is one of a chain of two or  
21 more such licensees, the name of the owner and the address of  
22 the principal place of business of each owner, a summary of in-  
23 dividual reports of each such licensed office indicating its  
24 location, the name of licensee, capital, surplus, reserves,  
25 loans receivable, cash and due from banks, real estate, borrowed  
26 money, net worth, total assets, total liabilities and such  
27 other pertinent and related information as may be necessary or  
28 desirable to give a correct and full picture of the total assets  
29 and total liabilities of each such licensee.'"

30 3. "Section five hundred thirty-six point eleven (536.11),  
31 Code 1958, is hereby amended as follows:

32 1. By striking from line thirteen (13) thereof the words  
33 'twentieth day of January' and inserting in lieu thereof the  
34 words 'fifteenth day of March.'"

35 4. "Chapter five hundred thirty-six (536), Code 1958,  
36 is amended by adding thereto the following new section:

37 'Every licensee when making a loan hereunder shall require  
38 a statement in writing from each applicant setting forth a  
39 description of all installment indebtedness of such applicant  
40 by giving the amount of each such loan and the name of the  
41 lender.'"

Filed and adopted  
March 23, 1959.

By LONG.

HOUSE FILE 235  
(Committee amendment)

1 Amend House File 235 as follows:

2 1. Amend section 8, line 9, by striking the words "one  
3 and one-half percent (1-½%)" and inserting in lieu thereof  
4 the words "one percent (1%)".

5 2. Also by adding a new section as follows:

6 "any family shall be restricted to one (1) loan."

Filed and lost  
March 23, 1959.

By COMMITTEE ON BANKS, BUILDING AND LOAN,  
EARL ELIJAH, *Chairman*.