

SENATE FILE

416

BY GRIFFIN

FILLED MAR 22 1973

Commerce 3/23
Senate File 416
Hultman, Chairman
Glenn
Rabedeaux

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to credit sales.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Chapter five hundred thirty-five (535) of
2 the Code is amended by adding sections two (2) through four
3 (4) of this Act.

4 Sec. 2. NEW SECTION. As used in this Act, unless the
5 context otherwise requires:

6 1. "Cash sale price" means the price for which the person
7 making a sale pursuant to an open-end credit plan or a closed-
8 end credit sale contract would have sold the goods or ser-
9 vices to the obligor if the sale had been for cash. The cash
10 sale price may include any taxes and charges for delivery,
11 installation, alterations, modifications, and improvements.

12 2. "Closed-end credit sale contract" means an arrange-
13 ment, other than an open-end credit plan, entered into in
14 this state evidencing any transaction in which an obligor
15 purchases goods or services from a creditor, under which
16 arrangement a finance charge may be imposed and the obligor
17 agrees to pay for the goods or services in one or more
18 installments.

19 3. "Finance charge" means the sum of all charges payable
20 by the obligor and imposed by the creditor as an incident
21 to or as a condition of a credit transaction pursuant to an
22 open-end credit plan or a closed-end credit sale contract.
23 It does not include a delinquency charge as permitted in
24 section four (4) of this Act, official fees, or premiums for
25 credit, life, accident, health, loss of income, property,
26 or liability insurance written in connection with such a sale.

27 4. "Goods" means tangible personal chattels and includes:

28 a. Things which, at the time of sale or subsequently,
29 are to be so affixed to real property as to become a part
30 thereof, whether or not severable therefrom; and

31 b. Merchandise certificates or coupons issued by a
32 creditor, not redeemable in cash, which are to be used in
33 their face amounts in lieu of cash in exchange for goods or
34 services sold by the creditor.

35 5. "Official fees" means the fees prescribed by law for

1 filing, recording, or otherwise perfecting, and releasing
2 or satisfying a security interest.

3 6. "Open-end credit plan" means an arrangement under which
4 a creditor may permit an obligor from time to time to obtain
5 cash advances from the creditor or to purchase goods or
6 services from any person, which may include the creditor,
7 under which arrangement the obligor has the privilege of
8 paying the balance in full or in installments and a finance
9 charge may be imposed.

10 7. "Principal balance" means the cash sale price of the
11 goods or services which are the subject matter of a closed-
12 end credit sale contract, plus the amounts for insurance and
13 official fees, less the amount of the obligor's down payment
14 in money or goods or both.

15 8. "Services" includes:

16 a. Work, labor, and other personal services; and

17 b. Privileges with respect to transportation, hotel and
18 restaurant accommodations, education, entertainment, recrea-
19 tion, physical culture, hospital accommodations, funerals,
20 cemetery accommodations, and the like.

21 Sec. 3. NEW SECTION.

22 1. Notwithstanding the provisions of any other law, the
23 creditor may charge, collect, and receive a finance charge
24 in such amount as shall be specified in the closed-end credit
25 sale contract, except that the finance charge shall not exceed
26 eighteen percent per year calculated according to the actuarial
27 method. If the finance charge is precomputed, the finance
28 charge may be calculated on the assumption that all scheduled
29 payments will be made when due.

30 2. When the closed-end credit sale contract is payable
31 in substantially equal and consecutive monthly installments,
32 the finance charge shall be computed on the principal balance
33 from the date of the contract until the due date of the final
34 installment. When a closed-end credit sale contract provides
35 for payment other than in substantially equal and consecutive

1 monthly installments, the finance charge shall not exceed
2 the amount which will provide the same return as is permitted
3 on substantially equal and consecutive monthly installments
4 contracts, having due regard for the schedule of payments.
5 The finance charge may be computed on the basis of a full
6 month for any fractional portion of a month in excess of
7 fifteen days. A minimum finance charge of five dollars on
8 balances of seventy-five dollars or less, and seven dollars
9 and fifty cents on balances of more than seventy-five dollars
10 may be charged, collected, and received on each such contract.

11 3. Notwithstanding the provision of any such contract
12 to the contrary, any obligor may prepay in full the unpaid
13 balance of a closed-end credit sale contract at any time
14 before its final due date and, if he does so, he shall receive
15 a refund of the finance charge for such prepayment. The
16 amount of such refund shall represent at least as great a
17 proportion of the original finance charge, after deducting
18 therefrom a maximum of ten dollars, as:

19 a. The sum of the monthly balances under the schedule
20 of payments in the contract beginning as of the date after
21 such prepayment which is the next succeeding monthly
22 anniversary date of the due date of the first installment
23 under the contract, or, if the prepayment is prior to the
24 due date of the first installment under the contract, then
25 as of the date after such prepayment which is the next
26 succeeding monthly anniversary date of the date of the
27 contract, bears to

28 b. The sum of all the monthly balances under the schedule
29 of installment payments in the contract.
30 Where the amount to be refunded is less than one dollar, no
31 refund need be made.

32 4. A closed-end credit sale contract may provide for a
33 delinquency charge on any installment not paid in full within
34 ten days after its scheduled due date in an amount not to
35 exceed five percent of the unpaid amount of the installment

1 or five dollars, whichever is less. A delinquency charge
2 may be collected only once on an installment however long
3 it remains in default. No delinquency charge may be collected
4 on an installment which is paid in full within ten days after
5 its scheduled due date even though an earlier maturing
6 installment or a delinquency on an earlier installment may
7 not have been paid in full. For purposes of this subsection
8 payments are applied first to current installments and then
9 to delinquent installments.

10 Sec. 4. NEW SECTION. Notwithstanding the provisions of
11 any other law, an open-end credit plan may provide for, and
12 the creditor may charge, collect, and receive, for each billing
13 cycle, which may be a month or other regular period, a finance
14 charge as specified in this section. Such finance charge
15 may be computed by applying a periodic rate which shall not
16 exceed one and one-half percent per month to an amount not to
17 exceed the greater of:

18 1. The average daily balance of the account in the billing
19 cycle for which the charge is made, which is the sum of the
20 amounts unpaid each day during that cycle, divided by the
21 number of days in that cycle. The amount unpaid on a day
22 is determined by adding to the balance, if any, unpaid as
23 of the beginning of that day all purchases and other debits
24 and deducting all payments and other credits made or received
25 as of that day; or

26 2. The balance of the account at the beginning of the
27 billing cycle, reduced by the amount by which payments received
28 during the billing cycle exceed the sum of the payment required
29 for such billing cycle and any delinquent payments, and by
30 credits applicable to debits occurring in prior billing cycles.
31 A billing cycle is monthly if the billing statement dates
32 are on the same day of each month or do not vary by more than
33 four days therefrom. A minimum finance charge not in excess
34 of fifty cents per month may be charged, collected, and
35 received.

1 3. Except as provided in this subsection, a creditor may
2 change the terms of an open-end credit plan, whether or not
3 the change is permitted by the plan, and the change may be
4 applied to account balances existing as of the effective date
5 of the change. A creditor may not:

6 a. Change the method of determining the balance upon which
7 finance charges are assessed so as to increase a finance
8 charge; or

9 b. Increase any periodic rate or rates of finance charge;
10 or

11 c. Increase the amount of any charge imposed as an incident
12 to or as a condition of the extension of credit, and apply
13 such change or increase to account balances existing as of
14 the effective date of the change, unless

15 (1) The change is agreed to by the consumer after receiving
16 notice of the change; or

17 (2) The creditor delivers or mails to the consumer a notice
18 of the change not later than fifteen days prior to the
19 beginning of the billing cycle in which the change is to be
20 made; or

21 (3) The change is required by law.

22 EXPLANATION

23 This bill regulates revolving charge accounts by providing
24 for an eighteen percent annual interest rate and specifying
25 the charges which may be made to a consumer who establishes
26 a revolving charge account.

27

28 S-341

1 Amend Senate File 416 as follows:

2 1. Page 3, line 26, by striking the word "eighteen"
3 and inserting in lieu thereof the word "twelve".

4 2. Page 5, line 16, by striking the words "and one-
5 half".

S-341 Filed
April 4, 1973

By BLOUIN

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35

1 Amend Senate File 416 as follows:

- 2 1. Page 2, by striking lines 24, 25 and 26 and inserting
3 in lieu thereof the following: "section four (4) of this
4 Act, official fees; or
5 a. Charges or premiums for credit life, accident, health,
6 or loss of income insurance, if the insurance coverage is not
7 required by the creditor and this fact is clearly and
8 conspicuously disclosed in writing to the obligor, and
9 any obligor desiring such insurance coverage gives specific
10 dated and separately signed affirmative written indication
11 of such desire after receiving written disclosure to him of
12 the cost of such insurance; or
13 b. Charges or premiums for insurance against loss of or
14 damage to property or against liability arising out of the
15 ownership or use of property, if a clear, conspicuous, and
16 specific statement in writing is furnished by the creditor to
17 the obligor setting forth the cost of the insurance if
18 obtained from or through the creditor and stating that the
19 obligor may choose the person through which the insurance
20 is to be obtained."
21 2. Page 2, line 27, by adding after the word "chattels"
22 the following: ", other than motor vehicles as defined in
23 section three hundred twenty-two point two (322.2), sub-
24 section seven (7) of the Code".
25 3. Page 3, line 4, by striking the word "creditor" and

Page 2

- 1 inserting in lieu thereof the following: "bank, as defined
2 in section five hundred twenty-four point one hundred three
3 (524.103), of the Code,".
4 4. Page 3, line 5, by striking the words "creditor or"
5 and inserting in lieu thereof the words "bank or under which
6 any creditor may permit an obligor".
7 5. Page 3, by striking line 27 and inserting in lieu thereof
8 the following:
9 "method.
10 2. If the finance charge is precomputed, the finance".
11 6. Page 3, by striking lines 30 through 35.
12 7. Page 4, by striking lines 1 through 4.
13 8. Page 4, line 15, by inserting before the word "finance"
14 the word "unearned".
15 9. Page 4, line 15, by striking the word "The" and insert-
16 ing in lieu thereof the following: "For contracts repayable
17 in substantially equal and consecutive monthly installments,
18 the".
19 10. Page 5, line 15, by striking the word "periodic".
20 11. Page 5, line 34, by striking the word "pay" and insert-
21 ing in lieu thereof the word "may".
22 12. Page 6, line 1, by adding after the comma the words
23 "upon notice to the obligor".
24 13. Page 6, line 12, by striking the comma and inserting
25 in lieu thereof a semicolon.

- 1 14. Page 6, line 13, by striking the words "such change
- 2 or increase" and inserting in lieu thereof the following:
- 3 "the change described in paragraphs a, b, or c of sub-
- 4 section three (3) of this section".
- 5 15. Page 6, line 15, by striking the word "consumer"
- 6 and inserting in lieu thereof the word "obligor".
- 7 16. Page 6, line 17, by striking the word "consumer"
- 8 and inserting in lieu thereof the word "obligor".
- 9 17. Page 1, line 1, by adding after the word "sales"
- 10 the words "and loans".

S-619 Filed
May 17, 1973

By HULTMAN