

Finance 4/20 D. Pass 4/20 (p. 1761)
Hear. also Walker's recommendation, amend (6512) 4/30 (2494)

Bill 2366

SENATE FILE 2366

BY JUNKINS and HULTMAN

Passed Senate, Date 4-20-84 (p. 1762) Passed House, Date 4-20-84 (p. 2495)
Vote: Ayes 42 Nays 3 Vote: Ayes 66 Nays 29
Approved May 8, 1984

A BILL FOR

1 An Act relating to the finance charges permitted in open-end
2 credit accounts including credit cards and retail credit
3 sales.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S. 236

SENATE FILE 2366

H-6512

1 Amend Senate File 2366 as passed by the Senate
2 as follows:

3 1. Page 1, by striking line 4 and inserting in
4 lieu thereof the following: "exceed an amount equal
5 to one and one-half".

6 2. Page 1, line 17, by striking the word "subsec-
7 tions" and inserting in lieu thereof the word "sub-
8 section".

9 3. Page 1, by striking lines 26 through 30

H-6512 FILED APRIL 20, 1984 BY COMMITTEE ON FINANCE

Last 4/20 (p. 2494)

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1 Section 1. Section 537.2202, subsection 3, Code 1983,
2 is amended to read as follows:

3 3. If the billing cycle is monthly, the charge may not
4 exceed an amount equal to one ~~and one-half~~ sixty-five
5 ~~percent of that part of the maximum amount pursuant to~~
6 ~~subsection 2 which is five hundred dollars or less and one~~
7 ~~and one-fourth percent of that part of the maximum amount~~
8 ~~which is more than five hundred dollars.~~ If the billing cycle
9 is not monthly, the maximum charge for the billing cycle shall
10 bear the same relation to the applicable monthly maximum
11 charge as the number of days in the billing cycle bears to
12 three hundred sixty-five divided by twelve. A billing cycle
13 is monthly if the closing date of the cycle is the same date
14 each month or does not vary by more than four days from the
15 regular date.

16 Sec. 2. Section 537.2402, Code 1983, is amended by adding
17 the following new subsections:

18 NEW SUBSECTION. 5. Notwithstanding any other provision
19 of this chapter or chapter 535, a creditor may contract for
20 and receive a finance charge without limitation as to amount
21 or rate with respect to a loan pursuant to open-end credit
22 obtained pursuant to a credit card issued by the creditor
23 which entitles the cardholder to purchase or lease goods or
24 services from at least one hundred persons not related to
25 the card issuer.

26 NEW SUBSECTION. 6. If the differential treatment of this
27 section based on the number of persons honoring a credit card
28 is found to be unconstitutional, a creditor may contract for
29 and receive a finance charge not to exceed twenty-two percent
30 per year for a loan pursuant to open-end credit.

31 Sec. 3. Section 537.3205, subsection 2, Code 1983, is
32 amended to read as follows:

33 2. Unless authorized by ~~a provision of~~ this chapter or
34 unless agreed to by the consumer, ~~no~~ a creditor shall ~~not~~
35 change the terms of an open end credit account, with respect

1 to any a balance incurred before the effective date of the
 2 change, which results in an increase of the rate of the finance
 3 charge or other charge or an increase in the amount of a
 4 periodic payment due, or which otherwise adversely affects
 5 the interests of the consumer with respect to such the balance.
 6 The use by the consumer of an open-end account after the
 7 effective date of the change constitutes the agreement of
 8 the consumer if the consumer is notified as provided in
 9 subsection 1 that the use will constitute the agreement of
 10 the consumer.

11 EXPLANATION

12 This bill increases the maximum finance charge allowed
 13 for certain consumer credit transactions pursuant to open-
 14 end credit. Section 1 provides that for consumer credit sales
 15 made pursuant to open-end credit that the maximum allowable
 16 finance charge is one point sixty-five percent per month.

17 Section 2 provides that if a creditor issues a credit card
 18 which entitles the cardholder to purchase or lease goods or
 19 services from at least one hundred persons not related to
 20 the card issuer, then the creditor may contract and receive
 21 any finance charge on the account. If the differential
 22 treatment is held unconstitutional, then the finance charge
 23 shall not exceed twenty-two percent per year for a loan
 24 pursuant to open-end credit.

25 Section 3 also provides that a consumer who uses an open-
 26 end credit account shall be deemed to have agreed to a change
 27 of terms on the account if the consumer has been notified
 28 of the change and the use will constitute agreement to the
 29 change.

30 This bill becomes effective July 1 following enactment.

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is not monthly, the maximum charge for the billing cycle shall bear the same relation to the applicable monthly maximum charge as the number of days in the billing cycle bears to three hundred sixty-five divided by twelve. A billing cycle is monthly if the closing date of the cycle is the same date each month or does not vary by more than four days from the regular date.

Sec. 2. Section 537.2407, Code 1983, is amended by adding the following new subsections:

NEW SUBSECTION. 5. Notwithstanding any other provision of this chapter or chapter 535, a creditor may contract for and receive a finance charge without limitation as to amount or rate with respect to a loan pursuant to open-end credit obtained pursuant to a credit card issued by the creditor which entitles the cardholder to purchase or lease goods or services from at least one hundred persons not related to the card issuer.

NEW SUBSECTION. 6. If the differential treatment of this section based on the number of persons honoring a credit card is found to be unconstitutional, a creditor may contract for and receive a finance charge not to exceed twenty-two percent per year for a loan pursuant to open-end credit.

Sec. 3. Section 537.3205, subsection 2, Code 1983, is amended to read as follows:

2. Unless authorized by ~~a provision of~~ this chapter or unless agreed to by the consumer, ~~no~~ a creditor shall not change the terms of an open end credit account, with respect to any a balance incurred before the effective date of the change, which results in an increase of the rate of the finance charge or other charge or an increase in the amount of a periodic payment due, or which otherwise adversely affects the interests of the consumer with respect to such the balance. The use by the consumer of an open-end account after the effective date of the change constitutes the agreement of the consumer if the consumer is notified as provided in

SENATE FILE 2366

AN ACT

RELATING TO THE FINANCE CHARGES PERMITTED IN OPEN-END CREDIT ACCOUNTS INCLUDING CREDIT CARDS AND RETAIL CREDIT SALES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 537.2202, subsection 3, Code 1983, is amended to read as follows:

3. If the billing cycle is monthly, the charge may not exceed an amount equal to one ~~and one-half~~ point sixty-five percent ~~of that part of the maximum amount pursuant to subsection 2 which is five hundred dollars or less and one and one-fourth percent of that part of the maximum amount which is more than five hundred dollars.~~ If the billing cycle

subsection 1 that the use will constitute the agreement of
the consumer.

CHARLES P. MILLER
President Pro Tempore of the
Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and
is known as Senate File 2366, Seventieth General Assembly.

K. MARIE THAYER
Secretary of the Senate

Approved May 8, 1984

TERRY E. BRANSTAD
Governor