

3/4/97 Approved
H. 3/19/97 Commerce Reg.

FILED MAR 4 1997

H. 3/19/97 Amend/Do Pass
w/H 8526

SENATE FILE **295**

BY COMMITTEE ON COMMERGE

H. 3/26/98 Unfinished Bills - Colander

(SUCCESSOR TO SSB 49)

(P. 661)
Passed Senate, Date 3/18/97

Passed House, Date _____

Vote: Ayes 46 Nays 3

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to finance charges upon refinancing and
2 consolidation of debts involving consumer credit transactions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 295

1 Section 1. Section 537.2504, unnumbered paragraph 1, Code
2 1997, is amended to read as follows:

3 With respect to a consumer credit transaction in which the
4 rate of finance charge required to be disclosed in the
5 transaction pursuant to section 537.3201 does not exceed
6 eighteen percent per year, other than a consumer lease or a
7 consumer rental purchase agreement, the creditor may, by
8 agreement with the consumer, refinance the unpaid balance and
9 may contract for and receive a finance charge based on the
10 amount financed resulting from the refinancing at a rate not
11 exceeding that permitted by the provisions on finance charge
12 for consumer credit sales other than open end credit in
13 section 537.2201; if a consumer credit sale is refinanced, the
14 provisions on finance charge for a consumer loan other than a
15 supervised loan in section 537.2401, subsection 1, or the
16 provisions on finance charge for a supervised loan not
17 pursuant to open end credit in section 537.2401, subsection 2,
18 as applicable, if a consumer loan is refinanced. With respect
19 to a consumer credit transaction in which the rate of finance
20 charge required to be disclosed in the transaction to the
21 consumer pursuant to section 537.3201 exceeds eighteen percent
22 per year, other than a consumer lease or a consumer rental
23 purchase agreement, the creditor may by agreement with the
24 consumer, refinance the unpaid balance and may contract for
25 and receive a finance charge based on the amount financed
26 resulting from the refinancing at a rate of finance charge not
27 to exceed that ~~which was required to be disclosed in the~~
28 ~~original transaction to the consumer~~ rate permitted for
29 consumer credit sales pursuant to section 537.3201; 537.2201 or
30 the rate permitted for consumer loans pursuant to section
31 537.2401, whichever is greater. For the purpose of
32 determining the finance charge permitted, the amount financed
33 resulting from the refinancing consists of:

34 Sec. 2. Section 537.2505, subsection 3, Code 1997, is
35 amended by striking the subsection and inserting in lieu

1 thereof the following:

2 3. Upon the consolidation of any debt arising from or in
3 combination from a consumer credit sale, lender credit card,
4 seller credit card, or consumer loan, the creditor may
5 contract for and receive the finance charge at a rate
6 permitted for consumer credit sales pursuant to section
7 537.2201 or permitted for consumer loans pursuant to section
8 537.2401, whichever is greater.

9 EXPLANATION

10 This bill regulates the finance charge that may be imposed
11 for refinancing certain consumer credit transactions in which
12 the rate of interest required to be disclosed pursuant to the
13 federal Truth in Lending Act exceeds 18 percent per year.
14 Currently the permitted rate is based on the amount which was
15 required to be disclosed in the original transaction. This
16 bill provides that the rate is the same as permitted for
17 consumer credit sales pursuant to Code section 537.2201 or for
18 consumer loans pursuant to Code section 537.2401, whichever is
19 more.

20 The bill also amends a section providing for the
21 consolidation of debts arising from consumer loans, consumer
22 credit sales, lender credit cards, or seller credit cards.
23 Currently, if the consolidated debt arises from consumer loans
24 the finance charge must be the same as for consumer loans as
25 regulated pursuant to Code section 537.2401. If the
26 consolidation includes a debt arising from a consumer credit
27 sale, or a lender credit card, the rate must be the same as
28 for consumer credit sales as regulated in Code section
29 537.2201. This bill provides that upon consolidation of any
30 debt arising from a consumer credit sale, lender credit card,
31 seller credit card, or consumer loan, the rate must be the
32 same as provided pursuant to Code section 537.2201 or
33 537.2401, whichever is more.

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H-8506

1 Amend Senate File 295, as passed by the Senate, as
2 follows:

3 1. By striking everything after the enacting
4 clause and inserting the following:

5 "Section 1. Section 537.2505, subsection 3, Code
6 1997, is amended to read as follows:

7 3. a. If all debts consolidated arise exclusively
8 from consumer loans, the creditor may contract for and
9 receive the finance charge permitted by the provisions
10 on finance charge for consumer loans pursuant to
11 section 537.2401.

12 b. If the debts consolidated include a debt
13 arising from a consumer credit sale, including a
14 transaction pursuant to a lender credit card, the
15 amount of the finance charge is governed by the
16 provisions on finance charge for consumer credit sales
17 in section 537.2201. A new loan shall not be made
18 consolidating a debt arising from a consumer credit
19 sale with a new advance unless the proceeds of the
20 resulting transaction provide the consumer with at
21 least one thousand dollars in new funds for the
22 consumer's own use, exclusive of the amount necessary
23 to pay in full the existing balance after rebates and
24 exclusive of any loan charges or appropriate
25 additional charges as authorized under section
26 537.2501."

27 2. Title page, line 1, by striking the words
28 "finance charges upon".

By COMMITTEE ON COMMERCE
AND REGULATION
METCALF of Polk, Chairperson

H-8506 FILED MARCH 19, 1998

Maddox, Chair
Palmer
Schuerer

SSB 49
Commerce

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
COMMERCE BILL BY CHAIR-
PERSON JENSEN)

Succeeded By
(SF) SF 295

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

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8 agreement with the consumer, refinance the unpaid balance and
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10 amount financed resulting from the refinancing at a rate not
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12 for consumer credit sales other than open end credit in
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18 as applicable, if a consumer loan is refinanced. With respect
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20 charge required to be disclosed in the transaction to the
21 consumer pursuant to section 537.3201 exceeds eighteen percent
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24 consumer, refinance the unpaid balance and may contract for
25 and receive a finance charge based on the amount financed
26 resulting from the refinancing at a rate of finance charge not
27 to exceed that ~~which was required to be disclosed in the~~
28 ~~original transaction to the consumer~~ rate permitted for
29 consumer credit sales pursuant to section 537.3201 537.2201 or
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1 thereof the following:

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4 seller credit card, or consumer loan, the creditor may
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7 537.2201 or permitted for consumer loans pursuant to section
8 537.2401, whichever is greater.

9 EXPLANATION

10 This bill regulates the finance charge that may be imposed
11 for refinancing certain consumer credit transactions in which
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21 consolidation of debts arising from consumer loans, consumer
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24 the finance charge must be the same as for consumer loans as
25 regulated pursuant to Code section 537.2401. If the
26 consolidation includes a debt arising from a consumer credit
27 sale, or a lender credit card, the rate must be the same as
28 for consumer credit sales as regulated in Code section
29 537.2201. This bill provides that upon consolidation of any
30 debt arising from a consumer credit sale, lender credit card,
31 seller credit card, or consumer loan, the rate must be the
32 same as provided pursuant to Code section 537.2201 or
33 537.2401, whichever is more.

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