

FILED MAR 11 1997

WITHDRAWN

SENATE FILE 394
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 131)

Substituted by
HF 611 4-14-97
(P. 1153)

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

A BILL FOR

1 An Act relating to permissible charges which may be contracted
2 for and received with respect to open-end credit.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 394

WITHDRAWN

1 Section 1. Section 537.1301, subsection 42, Code 1997, is
2 amended to read as follows:

3 42. "Supervised financial organization" means a person,
4 other than an insurance company or other organization
5 primarily engaged in an insurance business, which is
6 organized, chartered, or holding an authorization certificate
7 pursuant to chapter 524, 533, or 534, or pursuant to the laws
8 of any other state or of the United States which authorizes
9 the person to make loans and to receive deposits, including a
10 savings, share, certificate or deposit account, and which is
11 subject to supervision by an official or agency of this state,
12 such other state, or of the United States.

13 Sec. 2. Section 537.2202, subsection 1, Code 1997, is
14 amended to read as follows:

15 1. With respect to a consumer credit sale made pursuant to
16 open end credit, a creditor may contract for and receive a
17 finance charge not-exceeding-that without limitation as to
18 amount or rate as permitted in this section.

19 Sec. 3. Section 537.2202, subsection 3, Code 1997, is
20 amended by striking the subsection.

21 Sec. 4. Section 537.2402, subsection 1, Code 1997, is
22 amended to read as follows:

23 1. If authorized to make supervised loans, a creditor may
24 contract for and receive a finance charge without limitation
25 as to amount or rate with respect to a loan pursuant to open-
26 end credit not-exceeding-that as permitted in this section.

27 Sec. 5. Section 537.2402, subsections 3, 5, and 6, Code
28 1997, are amended by striking the subsections.

29 Sec. 6. Section 537.2501, subsection 1, paragraph f,
30 unnumbered paragraph 1, Code 1997, is amended to read as
31 follows:

32 With respect to open-end credit pursuant-to-a-credit-card
33 issued-by-the-creditor-which-entitles-the-cardholder-to
34 purchase-or-lease-goods-or-services-from-at-least-one-hundred
35 persons-not-related-to-the-card-issuer, the parties may

1 contract for an over-limit charge up to fifteen dollars if the
2 balance of the account exceeds the credit limit established
3 pursuant to the agreement. The over-limit charge under this
4 paragraph shall not be assessed again in a subsequent billing
5 cycle unless in a subsequent billing cycle the account balance
6 has been reduced below the credit limit.

7 Sec. 7. Section 537.2502, subsection 4, Code 1997, is
8 amended to read as follows:

9 4. With respect to open-end credit obtained pursuant to a
10 ~~credit-card-issued-by-the-creditor-which-entitles-the~~
11 ~~cardholder-to-purchase-or-lease-goods-or-services-from-at~~
12 ~~least-one-hundred-persons-not-related-to-the-card-issuer~~, the
13 parties may contract for a delinquency charge on any payment
14 not paid in full when due, as originally scheduled or as
15 deferred, in an amount up to fifteen dollars.

16 Sec. 8. Section 537.2502, subsections 7 and 8, Code 1997,
17 are amended by striking the subsections.

18 EXPLANATION

19 This bill amends provisions relating to the permissible
20 charges which may be contracted for with respect to a consumer
21 credit sale or a loan pursuant to open-end credit.

22 Code section 537.1301 is amended to include a financial
23 institution holding an authorization certificate pursuant to
24 the laws of another state under the definition of a supervised
25 financial organization for purposes of the consumer credit
26 code.

27 Code section 537.2202 is amended to provide that a creditor
28 may contract for and receive a finance charge without
29 limitation as to amount or rate with respect to a consumer
30 credit sale made pursuant to open end-credit. Currently, if
31 the billing cycle is monthly, the finance charge may not
32 exceed 1.65 percent.

33 Code section 537.2402 is amended to provide that a creditor
34 authorized to make supervised loans may contract for and
35 receive a finance charge without limitation as to amount or

1 rate with respect to open-end credit as permitted in the
2 section. Subsections 3, 5, and 6, which currently establish
3 limitations on the finance charge, are stricken. Subsection 3
4 limits the finance charge, for open-end credit subject to a
5 monthly billing cycle, to an amount equal to 1.65 percent of
6 the maximum balance amount as determined under subsection 2.
7 Subsection 5 provides that a creditor may contract and receive
8 a finance charge without limitation with respect to a loan
9 pursuant to open-end credit obtained pursuant to a credit card
10 issued by a creditor which entitles the cardholder to purchase
11 or lease goods from at least 100 persons not related to the
12 card issuer. Subsection 6 provides that if the differential
13 treatment based upon the number of persons honoring a credit
14 card is unconstitutional, a creditor may receive a maximum
15 finance charge of 22 percent per year for a loan pursuant to
16 open-end credit.

17 Code sections 537.2501 and 537.2502 are amended to provide
18 that the over-limit charge of up to \$15 and the delinquency
19 charge of up to \$15 apply to all open-end credit accounts.
20 Currently, those charges apply to credit obtained pursuant to
21 a credit card issued by a creditor which entitles the
22 cardholder to purchase or lease goods from at least 100
23 persons not related to the card issuer.

24 Subsections 7 and 8 of Code section 537.2502, which pertain
25 to delinquency charges, are stricken. Subsection 7 provides
26 that if the differential treatment based upon the number of
27 persons honoring a credit card is unconstitutional, the
28 parties may contract for a delinquency charge in an amount up
29 to \$15 in any consumer credit transaction pursuant to open-end
30 credit. Subsection 8 provides that with respect to open-end
31 credit obtained pursuant to a credit card issued by the
32 creditor which entitles the cardholder to purchase or lease
33 goods or services from less than 100 persons not related to
34 the card issuer, the parties may contract for a delinquency
35 charge on any payment not paid in full within 30 days after

1 its due date, as originally scheduled or as deferred, in an
2 amount not to exceed \$10. The subsection provides that a
3 delinquency charge is not to be collected more than once on
4 any one payment, regardless of the length of time the payment
5 remains delinquent.

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Schuerer, Chair
Rife
Palmer

SSB 131
Commerce

SENATE FILE SF HF 394
Succeeded By
BY (PROPOSED COMMITTEE ON
COMMERCE BILL BY CHAIR-
PERSON JENSEN)

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Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
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29 Sec. 6. Section 537.2501, subsection 1, paragraph f,
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35 charge on any payment not paid in full within 30 days after

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S.F. _____ H.F. _____

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