

FILED FEB 27 2006

SENATE FILE 2275  
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 3175)

Passed Senate, Date 3-6-06 Passed House, Date 3-30-06  
Vote: Ayes 48 Nays 0 Vote: Ayes 95 Nays 0  
Approved April 11, 2006

A BILL FOR

1 An Act relating to debt cancellation coverage offered by banks  
2 and credit unions.

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

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SF 2275

1 Section 1. Section 524.913, Code 2005, is amended by  
2 adding the following new subsection:

3 NEW SUBSECTION. 3. Notwithstanding subsection 1, a state  
4 bank may offer voluntary debt cancellation coverage, whether  
5 insurance or debt waiver, to consumers. The amount charged  
6 for the coverage shall be included in the amount financed, as  
7 defined in section 537.1301. However, the charge for such  
8 coverage may be excluded from the finance charge under the  
9 federal Truth in Lending Act as defined in section 537.1302.

10 Sec. 2. Section 533.16, subsection 9, Code 2005, is  
11 amended to read as follows:

12 9. a. The provisions of the Iowa consumer credit code,  
13 chapter 537, shall apply to consumer loans made by a credit  
14 union, and a provision of that code shall supersede any  
15 conflicting provision of this chapter with respect to a  
16 consumer loan.

17 b. Notwithstanding paragraph "a", a credit union may offer  
18 voluntary debt cancellation coverage, whether insurance or  
19 debt waiver, to members. The amount charged for the coverage  
20 shall be included in the amount financed, as defined in  
21 section 537.1301. However, the charge for such coverage may  
22 be excluded from the finance charge under the federal Truth in  
23 Lending Act as defined in section 537.1302.

24 EXPLANATION

25 Notwithstanding the Iowa consumer credit code, under this  
26 bill a state bank or credit union may offer voluntary debt  
27 cancellation coverage, whether insurance or debt waiver, to  
28 consumers or members, respectively. The amount charged for  
29 the coverage is required to be included in the amount  
30 financed, as defined in Code section 537.1301. However, the  
31 charge for coverage may be excluded from the finance charge  
32 under the federal Truth in Lending Act as defined in Code  
33 section 537.1302.

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Zawn co-chair  
Stewart co-chair  
Ziemann  
Beall

Succeeded By  
SF/HF 2275

SSB#3175  
Commerce

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
COMMERCE BILL BY  
CO-CHAIRPERSONS BEHN AND  
WARNSTADT)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to debt cancellation coverage offered by banks  
2 and credit unions.

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

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1 Section 1. Section 524.913, Code 2005, is amended by  
2 adding the following new subsection:

3 NEW SUBSECTION. 3. A state bank may offer voluntary debt  
4 cancellation coverage, whether insurance or debt waiver, to  
5 consumers. The amount charged for the coverage shall be  
6 included in the amount financed, as defined in section  
7 537.1301. However, notwithstanding subsection 1, the charge  
8 for such coverage may be excluded from the finance charge, as  
9 defined in section 537.1301.

10 Sec. 2. Section 533.16, subsection 9, Code 2005, is  
11 amended to read as follows:

12 9. a. The provisions of the Iowa consumer credit code,  
13 chapter 537, shall apply to consumer loans made by a credit  
14 union, and a provision of that code shall supersede any  
15 conflicting provision of this chapter with respect to a  
16 consumer loan.

17 b. A credit union may offer voluntary debt cancellation  
18 coverage, whether insurance or debt waiver, to consumers. The  
19 amount charged for the coverage shall be included in the  
20 amount financed, as defined in section 537.1301. However,  
21 notwithstanding paragraph "a", the charge for such coverage  
22 may be excluded from the finance charge, as defined in section  
23 537.1301.

24 EXPLANATION

25 This bill allows a state bank or credit union to offer  
26 voluntary debt cancellation coverage, whether insurance or  
27 debt waiver, to consumers. The amount charged for the  
28 coverage is required to be included in the amount financed, as  
29 defined in Code section 537.1301. However, contrary to the  
30 Iowa consumer credit code, the charge for coverage may be  
31 excluded from the finance charge, as defined in Code section  
32 537.1301.

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be excluded from the finance charge under the federal Truth in Lending Act as defined in section 537.1302.

SENATE FILE 2275

AN ACT  
RELATING TO DEBT CANCELLATION COVERAGE OFFERED BY BANKS  
AND CREDIT UNIONS.

\_\_\_\_\_  
JEFFREY M. LAMBERTI  
President of the Senate

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

\_\_\_\_\_  
CHRISTOPHER C. RANTS  
Speaker of the House

Section 1. Section 524.913, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 3. Notwithstanding subsection 1, a state bank may offer voluntary debt cancellation coverage, whether insurance or debt waiver, to consumers. The amount charged for the coverage shall be included in the amount financed, as defined in section 537.1301. However, the charge for such coverage may be excluded from the finance charge under the federal Truth in Lending Act as defined in section 537.1302.

I hereby certify that this bill originated in the Senate and is known as Senate File 2275, Eighty-first General Assembly.

\_\_\_\_\_  
MICHAEL E. MARSHALL  
Secretary of the Senate

Sec. 2. Section 533.16, subsection 9, Code 2005, is amended to read as follows:

Approved \_\_\_\_\_, 2006

9. a. The provisions of the Iowa consumer credit code, chapter 537, shall apply to consumer loans made by a credit union, and a provision of that code shall supersede any conflicting provision of this chapter with respect to a consumer loan.

\_\_\_\_\_  
THOMAS J. VILSACK  
Governor

b. Notwithstanding paragraph "a", a credit union may offer voluntary debt cancellation coverage, whether insurance or debt waiver, to members. The amount charged for the coverage shall be included in the amount financed, as defined in section 537.1301. However, the charge for such coverage may