

REGULATION OF CONSUMER CREDIT CHARGES STUDY COMMITTEE

Report to the Legislative Council  
and the Members of the  
First Session of the Sixty-fifth General Assembly

P R O G R E S S R E P O R T

REGULATION OF CONSUMER CREDIT CHARGES STUDY COMMITTEE

December 12, 1972

The Committee was established by the Legislative Council on April 12, 1972, pursuant to Senate Concurrent Resolution 132 and House Concurrent Resolution 141, which asked that a committee be appointed "for the purpose of studying legislative regulation of consumer credit charges in Iowa". Legislative members appointed to the Committee on May 16, 1972, were:

Representative Elizabeth Shaw, Acting Chairman  
Senator Reinhold O. Carlson  
Senator Leigh R. Curran  
Senator Gene W. Glenn  
Senator Eugene M. Hill  
Senator Richard Stephens  
Representative Samuel F. Anania  
Representative William E. Gluba  
Representative Norman Roorda  
Representative Dale Tieden

The Council authorized the Committee to recommend the appointment of up to five nonlegislative members and directed that they include representatives of the Attorney General's office, the lending industry and the consuming public.

The first Committee meeting was held on June 28, 1972, at which time Representative Shaw was elected permanent Chairman, and Senator Carlson was elected Vice Chairman. The Committee agreed to recommend the appointment of five nonlegislative members, who may vote on all developmental matters, but not on recommendations to the General Assembly. The nonlegislative members, recommended by the Committee and approved by the Legislative Council, were:

Mrs. Betty M. Talkington, President of the Iowa Consumers League  
Mr. William A. Youngstrom, Controller of Petersen Harned Von Maur, in Davenport, Iowa  
Mr. A. W. Jordan, of the Iowa Credit Union League  
Mr. Stan T. Shepherd, former State Representative who chaired the Commerce Subcommittee which studied the UCCC in 1969  
Mr. Harry Griger, Assistant Attorney General

At the first Committee meeting, Mr. Griger reported on the progress of the Attorney General's case against Younkens, for a purported violation of the Iowa usury law. The district court held that Younkens is not in violation under the time-price doctrine, and the case is being appealed to the Iowa Supreme Court, which will probably not render a decision until some time in 1973.

During Committee meetings in July and September the members familiarized themselves with the concepts contained in the Uniform Consumer Credit Code (UCCC), both the old and revised versions, and examined the Iowa laws relating to consumer credit transactions.

Mr. Nathaniel E. Butler, formerly Educational Director of the National Conference of Commissioners on Uniform State Laws, met with the Committee and described the history, philosophy, and effects of enactment of the UCCC. He stated that the UCCC attempts to eliminate abusive credit practices against debtors, as well as set maximum rates for consumer credit.

Professor George J. Wallace, of the College of Law at the University of Iowa, reviewed the Iowa law relating to consumer credit transactions and compared it to the provisions in the UCCC. Professor Wallace pointed out specific areas of concern, where present Iowa law permits practices which are harsh against consumers or inefficient for creditors. Some of the problems he discussed were credit insurance, deficiency judgments, the holder in due course doctrine and other devices which cut off a debtor's defenses, high pressure credit selling, and the need for more satisfactory laws relating to wage garnishment and repossession of collateral.

Mr. Richard Wheatley, first Administrator of the Oklahoma Consumer Affairs Office, attended a Committee meeting and explained how the UCCC has operated in Oklahoma. He also described the lengthy study process which preceded adoption of the Act there.

The Committee members discussed the administrative provisions contained in the UCCC, and noted that a number of functions now handled by various Iowa agencies would be combined into one administrative office under the format of the UCCC. Previous studies of governmental organization in Iowa have pointed out that there are apparent conflicts in the administration of credit regulation under present Iowa law because different departments of government handle closely related problems. Small loan companies, for example, are now regulated by the Superintendent of Banking, but industrial loan companies are regulated by the Auditor of State.

At its fourth meeting on October 3, 1972, the Committee agreed to begin a point-by-point study of the revised version of the UCCC, with the thought of recommending adoption of a consumer credit code for the state of Iowa, including whatever reorganization of government is necessary to implement that recommendation. Chairman Shaw asked Professor Wallace to assist the Committee with its study of the UCCC, which he agreed to do. Professor Wallace has been a great help to the Committee in understanding the complexities of the UCCC.

During its November and December meetings the Study Committee has analyzed, and in some cases tentatively amended, each section of the revised version of the UCCC, beginning with section 1.101 and proceeding through section 2.509. However, because of the highly controversial nature of the interest rate ceilings con-

tained in the UCCC, a decision on this matter will not be made until the Committee has completed its study of the entire UCCC, so the rates have been left blank on the tentative drafts prepared by the Committee. When the entire Act has been studied from beginning to end, the Committee will need to review some sections in light of its increased understanding of the total Act, and will make its final decisions on matters to be included in its recommended Iowa consumer credit code.

Because of the complexity of the job it has undertaken, the Study Committee requests that it be reestablished during the next interim between the 1973 and 1974 sessions of the Sixty-fifth General Assembly. Many of the present legislative members of the Study Committee will be members of the Sixty-fifth General Assembly and can then continue to serve and complete the task based upon the knowledge they have gained during the study so far. Presumably the present nonlegislative members can also continue to serve in this capacity on a reestablished Study Committee.

Because the bill drafts which have been prepared by the Legislative Service Bureau to date consist of only tentative study drafts, they are not included as a part of this Report, but are available for reference in the office of the Legislative Service Bureau.