

CHAPTER 537

CONSUMER CREDIT CODE

[P]

The general assembly of the state of Iowa hereby declares and states that it does not want any of the provisions of Public Law No. 96 – 221 (94 stat. 132), section 501, subsection (a), paragraph (1), to apply with respect to loans, mortgages, credit sales, and advances made in this state; and that it does not want any of the provisions of Public Law No. 96 – 221 (94 stat. 132), Part B (section 511, subsections (a) and (b)), to apply with respect to loans made in this state; and that it does not want any of the provisions of any of the amendments contained in Public Law No. 96 – 221 (94 stat. 132), sections 521, 522 and 523 to apply with respect to loans made in this state; and that it does not want any of the provisions of Public Law No. 96 – 221 (94 stat. 132), section 524 to apply with respect to loans made in this state.

It is the intent of the general assembly of the state of Iowa in enacting this section to exercise all authority granted by Congress and to satisfy all requirements imposed by Congress in Public Law No. 96 – 221 (94 stat. 132), section 501, subsection (b), paragraph (2), and section 512, and section 524, subsection (i), paragraph (3), and section 525, for the purpose of rendering the provisions of Public Law No. 96 – 221 (94 stat. 132), Title V, inapplicable in this state.

[80 Acts, ch 1156, §32]

Court action required for termination of installment contracts during military service; §29A.102, 29A.105

Maximum rate of interest during military service on obligations or liabilities incurred prior to service; §29A.103, 29A.104

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ARTICLE 1
GENERAL PROVISIONS AND DEFINITIONS

PART 1
SHORT TITLE, CONSTRUCTION,
GENERAL PROVISIONS

537.1101 Short title.

Articles 1 to 7 of this chapter shall be known and may be cited as the “*Iowa Consumer Credit Code*”.

[C75, 77, 79, 81, §537.1101]

537.1102 Purposes — rules of construction.

1. This chapter shall be liberally construed and applied to promote its underlying purposes and policies.
2. The underlying purposes and policies of this chapter are to:
 - a. Simplify, clarify and modernize the law governing retail installment sales and other consumer credit.
 - b. Provide rate ceilings for certain creditors in order to assure an adequate supply of credit to consumers.
 - c. Further consumer understanding of the terms of credit transactions and foster competition among suppliers of consumer credit so that consumers may obtain credit at reasonable cost.
 - d. Protect consumers against unfair practices by some suppliers, solicitors or collectors of consumer credit, having due regard for the interests of legitimate and scrupulous creditors.
 - e. Permit and encourage the development of fair and economically sound consumer credit practices.
 - f. Conform the regulation of disclosure in consumer credit transactions to the Truth in Lending Act.
 - g. Make the law, including administrative rules, more uniform among the various jurisdictions.
3. A reference to a requirement imposed by this chapter includes reference to a related rule of the administrator adopted pursuant to this chapter.

[C75, 77, 79, 81, §537.1102]

537.1103 Law applicable.

Unless displaced by the particular provisions of this chapter, the uniform commercial code as provided in chapter 554 and the principles of law and equity, including the law relative to capacity to contract, principal and agent, estoppel, fraud, misrepresentation, duress, coercion, mistake, bankruptcy or other validating or invalidating cause supplement its provisions.

[C75, 77, 79, 81, §537.1103]

2005 Acts, ch 3, §91

537.1104 Construction.

This chapter being a general Act intended as a unified coverage of its subject matter, no part of it shall be deemed to be impliedly repealed by subsequent legislation if such construction can reasonably be avoided.

[C75, 77, 79, 81, §537.1104]

537.1105 and 537.1106 Reserved.

537.1107 Waiver — agreement — settlement.

1. Except in settlement of a bona fide dispute, a consumer may not waive or agree to forego rights or benefits under this Act.

2. A claim by a consumer against a creditor relating to an excess charge, any other civil violation of this chapter, or a civil penalty, or a claim by a creditor against a consumer for default or breach of a civil duty imposed by this chapter, may be settled by agreement if the claim is disputed in good faith.

3. A claim against a consumer, whether or not disputed, may be settled for less value than the amount claimed.

4. A settlement in which the consumer waives or agrees to forego rights or benefits under this chapter is invalid if the court as a matter of law finds the settlement to have been unconscionable at the time it was made. The competence of the consumer, any deception or coercion practiced upon the consumer, the nature and extent of the legal advice received by the consumer, and the value of the consideration may be considered, among other factors, with respect to the issue of unconscionability.

[C75, 77, 79, 81, §537.1107]

537.1108 Effect on organizations.

1. This chapter prescribes maximum charges for certain creditors, except lessors and those excluded in section 537.1202, extending credit in consumer credit transactions.

2. This chapter does not displace limitations on powers of credit unions, savings and loan associations, or other thrift institutions whether organized for the profit of shareholders or as mutual organizations.

3. This chapter does not displace:

a. Limitations on powers of supervised financial organizations with respect to the amount of a loan to a single borrower, the ratio of a loan to the value of collateral, the duration of a loan secured by an interest in land, or other similar restrictions designed to protect deposits.

b. Limitations on powers an organization is authorized to exercise under the laws of this state or the United States.

[C75, 77, 79, 81, §537.1108]

537.1109 Reserved.**537.1110 Obligation of good faith.**

Every contract or duty within this chapter imposes an obligation of good faith in its performance or enforcement.

[C75, 77, 79, 81, §537.1110]

PART 2**SCOPE AND JURISDICTION****537.1201 Territorial application.**

1. This chapter applies to:

a. A transaction, or acts, practices or conduct with respect to a transaction, if the transaction is entered into in this state, except that a transaction involving other than open end credit or acts, practices or conduct with respect to such a transaction shall not subject any person to damages or penalty under article 5 of this chapter, or administrative enforcement under article 6, part 1.

(1) If the buyer, lessee or debtor was physically located outside of this state, at the time the buyer, lessee or debtor signed the writing evidencing the transaction or made, in face-to-face solicitation, a written or oral offer to enter into the transaction,

(2) If the transaction or acts, practices or conduct with respect to the transaction were not in violation of law in the state in which the buyer, lessee or debtor was physically located, and

(3) If, with respect to charges and agreements, the person does not collect or enforce that transaction except to the extent permitted by this chapter.

b. A transaction, or acts, practices or conduct with respect to a transaction, if it is modified in this state, without regard to where the transaction is entered into, except that acts, practices, conduct, disclosures, charges or provisions of agreements not in violation of law in the state where they occurred or were entered into, shall not subject any person to damages or penalty under article 5 or administrative enforcement under article 6, part 1, if, with respect to acts, practices, conduct or disclosures, they occurred outside this state and before a modification in this state, and if, with respect to charges and agreements, they are not collected or enforced by that person except to the extent permitted by this chapter. A person shall not be required to obtain a license under section 537.2301 solely because the person modifies a transaction in this state.

c. Acts, practices or conduct in this state in the solicitation, inducement, negotiation, collection or enforcement of a transaction, without regard to where it is entered into or modified; including, but not limited to, acts, practices or conduct in violation of sections 537.3209, 537.3210, 537.3311, 537.3501, article 5, parts 1 and 3, and article 7.

2. For the purposes of this section, a transaction is entered into or modified in this state if any of the following apply:

a. In a transaction involving other than open end credit:

(1) If the buyer, lessee or debtor is a resident of this state at the time the person extending credit solicits the transaction or modification, whether personally, by mail or by telephone, unless the parties have agreed that the law of the residence of the buyer, lessee or debtor applies, in which case that law applies.

(2) If the buyer, lessee or debtor is a resident of this state at the time the person extending credit receives either a signed writing evidencing the transaction or modification, or a written or oral offer of the buyer, lessee or debtor to enter into or modify the transaction.

(3) If the transaction otherwise has significant contacts with this state, unless the buyer, lessee or debtor is not a resident of this state at the times designated in subsection 2, paragraph "a", subparagraphs (1) and (2), and the parties have agreed that the law of the buyer's, lessee's, or debtor's residence applies. A person shall not be required to obtain a license under section 537.2301 solely because this chapter applies to a transaction pursuant to this subparagraph.

b. In an open end credit transaction:

(1) If the buyer, lessee or debtor is a resident of this state either at the time the buyer, lessee or debtor forwards or otherwise gives to the person extending credit a written or oral communication of the intention to establish the open end transaction, or at the time the person extending credit forwards or otherwise gives to the buyer, lessee or debtor a written or oral communication giving notice to the buyer, lessee or debtor of the right to enter into open end transactions with such person, unless the parties have agreed that the law of the residence of the buyer, lessee or debtor applies in which case that law shall apply.

(2) If the transaction otherwise has significant contacts with this state, unless the buyer, lessee or debtor is not a resident of this state at the times designated in subsection 2, paragraph "a", subparagraph (1), and the parties have agreed that the law of the buyer's, lessee's, or debtor's residence applies. A person shall not be required to obtain a license under section 537.2301 solely because this chapter applies to a transaction pursuant to this subparagraph.

c. In any credit transaction, if the parties have agreed that the law of the residence of the buyer, lessee or debtor applies and the buyer, lessee or debtor is a resident of this state at any time designated, with respect to a transaction other than open end, in subsection 2, paragraph "a", subparagraphs (1) and (2) or, with respect to an open end credit transaction, in subsection 2, paragraph "b", subparagraph (1).

3. For the purposes of this section, "modification" shall include, but not be limited to, any alteration in the maturity, schedule of payments, amount financed, rate of finance charge or other term of a transaction.

4. For the purposes of this chapter, the residence of a buyer, lessee or debtor is the address given by that person as the person's residence in a writing signed by the person in connection

with a transaction until the person notifies the person extending credit of a different address as the person's residence, and it is then the different address.

5. Except as provided in subsection 1, paragraph "c", and subsection 6, a transaction entered into or modified in another jurisdiction is valid and enforceable in this state according to its terms to the extent that it is valid and enforceable under the laws of the other jurisdiction.

6. A provision of an agreement made by a buyer, lessee or debtor is invalid:

a. Which provides, if the buyer, lessee or debtor is a resident of this state at the times designated in subsection 2, paragraph "a", subparagraphs (1) and (2) and subsection 2, paragraph "b", subparagraph (1):

(1) That the law of another jurisdiction shall apply, except as provided in subsection 2, paragraph "a", subparagraph (1) and in subsection 2, paragraph "b", subparagraph (1).

(2) That the buyer, lessee or debtor consents to be subject to the process of another jurisdiction.

(3) That the buyer, lessee or debtor appoints an agent to receive service of process.

(4) That venue is fixed at a particular place.

(5) That the consumer consents to the jurisdiction of a court that does not otherwise have jurisdiction.

b. If a provision would negate subsection 1, paragraph "b".

7. The following provisions of this chapter specify the applicable law governing certain cases:

a. Section 537.6102 specifies the applicability of article 6, part 1.

b. Section 537.6201 specifies the applicability of article 6, part 2.

[C75, 77, 79, 81, §537.1201]

537.1202 Exclusions.

This chapter does not apply to:

1. Extensions of credit to government or governmental agencies or instrumentalities.

2. Except as otherwise provided in article 4, the sale of insurance if the insured is not obligated to pay installments of the premium and the insurance may terminate or be canceled after nonpayment of an installment of the premium.

3. Transactions under public utility or common carrier tariffs if a subdivision or agency of this state or of the United States regulates the charges for the services involved, the charges for delayed payment, and any discount allowed for early payment.

4. Transactions in securities or commodities accounts with a broker-dealer registered with the securities and exchange commission.

5. Pawnbrokers who are licensed and whose rates and charges are regulated under or pursuant to ordinances of cities or statutes of this state, except with respect to the provisions on compliance with the Truth in Lending Act in section 537.3201, civil liability for violation of disclosure provisions in section 537.5203, criminal penalties for disclosure violations in section 537.5302, and powers and functions of the administrator with respect to disclosure violations.

[C75, 77, 79, 81, §537.1202]

537.1203 Jurisdiction — service of process.

1. The district court of this state may exercise jurisdiction over any person with respect to any conduct in this state governed by this chapter or with respect to any claim arising from a transaction subject to this chapter. In addition to any other method provided by rule or by statute, personal jurisdiction over a person may be acquired in a civil action or proceeding instituted in the district court by the service of process in the manner provided by this section.

2. If a person is not a resident of this state or is a corporation not authorized to do business in this state and engages in any conduct in this state governed by this chapter, or engages in a transaction subject to this chapter, the person may designate an agent upon whom service of process or original notice may be made in this state. The agent shall be a resident of state or a corporation authorized to do business in this state. The designation shall be in a writing and filed with the secretary of state. If no designation is made and filed or if process or original notice cannot be served in this state upon the designated agent, process or original notice may

be served upon the secretary of state, in the manner provided in section 617.3 for service upon nonresident persons and foreign corporations which have made contracts with residents of Iowa, and the provisions of that section relating to the service of process or original notice apply.

[C75, 77, 79, 81, §537.1203]

PART 3

DEFINITIONS

537.1301 General definitions.

As used in this chapter, unless otherwise required by the context:

1. “*Actuarial method*” means the method of allocating payments made on a debt between the amount financed and the finance charge, pursuant to which a payment is applied first to the accumulated finance charge and any remainder is subtracted from, or any deficiency is added to, the unpaid balance of the amount financed. The administrator may adopt rules not inconsistent with the Truth in Lending Act further defining the term and prescribing its application.

2. “*Administrator*” means the administrator designated in section 537.6103.

3. “*Affiliate*” as used in reference to a state bank means the same as defined in section 524.1101. “*Affiliate*” as used in reference to a national banking association means the same as defined in section 524.1101, except that the term “national banking association” shall be substituted for the term “state bank”. “*Affiliate*” as used in reference to a savings and loan association shall mean the same as defined in 12 C.F.R. § 561.4.

4. “*Agreement*” means the oral or written bargain of the parties in fact as found in their language or by implication from other circumstances including course of dealing or usage of trade or course of performance.

5. “*Amount financed*” means:

a. In the case of a sale, the cash price of the goods, services, or interest in land, plus the amount actually paid or to be paid by the seller pursuant to an agreement with the buyer to discharge a security interest in, a lien on, or a debt with respect to property traded in, less the amount of any down payment whether made in cash or in property traded in, plus additional charges if permitted under paragraph “c”.

b. In the case of a loan, the net amount paid to, receivable by, or paid or payable for the account of the debtor, plus the amount of any discount excluded from the finance charge under subsection 21, paragraph “b”, subparagraph (3), plus additional charges if permitted under paragraph “c” of this subsection.

c. In the case of a sale or loan, additional charges permitted under section 537.2501, to the extent that payment is deferred, that the charge is not otherwise included, in the amount permitted respectively in paragraph “a” or “b”, and that the charge is authorized by and disclosed to the consumer as required by law.

6. “*Billing cycle*” means the time interval between periodic billing statement dates.

7. “*Card issuer*” means a person who issues a credit card.

8. “*Cardholder*” means a person to whom a credit card is issued or who has agreed with the card issuer to pay obligations arising from the issuance or use of the card to or by another person.

9. “*Cash price*” of goods, services, or an interest in land means, except in the case of a consumer rental purchase agreement, the price at which they are sold by the seller to cash buyers in the ordinary course of business, and may include the cash price of accessories or services related to the sale, such as delivery, installation, alterations, modifications, and improvements, and taxes to the extent imposed on a cash sale of the goods, services, or interest in land.

10. *Conspicuous*. A term or clause is conspicuous when it is so written that a reasonable person against whom it is to operate ought to have noticed it. Whether or not a term or clause is conspicuous is for decision by the court.

11. “Consumer” means the buyer, lessee, or debtor to whom credit is granted in a consumer credit transaction.

12. “Consumer credit transaction” means a consumer credit sale or consumer loan, or a refinancing or consolidation thereof, or a consumer lease, or a consumer rental purchase agreement.

13. *Consumer credit sale.*

a. Except as provided in paragraph “b”, a consumer credit sale is a sale of goods, services, or an interest in land in which all of the following are applicable:

(1) Credit is granted either pursuant to a seller credit card or by a seller who regularly engages as a seller in credit transactions of the same kind.

(2) The buyer is a person other than an organization.

(3) The goods, services or interest in land are purchased primarily for a personal, family or household purpose.

(4) Either the debt is payable in installments or a finance charge is made.

(5) With respect to a sale of goods or services, the amount financed does not exceed twenty-five thousand dollars.

b. A “consumer credit sale” does not include:

(1) A sale in which the seller allows the buyer to purchase goods or services pursuant to a lender credit card.

(2) A sale of an interest in land if the finance charge does not exceed twelve percent per year calculated on the actuarial method on the assumption that the debt will be paid according to the agreed terms and will not be paid before the end of the agreed term.

(3) A consumer rental purchase agreement as defined in section 537.3604.

14. *Consumer lease.*

a. Except as provided in paragraph “b”, a consumer lease is a lease of goods in which all of the following are applicable:

(1) The lessor is regularly engaged in the business of leasing.

(2) The lessee is a person other than an organization.

(3) The lessee takes under the lease primarily for a personal, family, or household purpose.

(4) The amount payable under the lease does not exceed twenty-five thousand dollars.

(5) The lease is for a term exceeding four months.

b. A consumer lease does not include a consumer rental purchase agreement as defined in section 537.3604.

15. *Consumer loan.*

a. Except as provided in paragraph “b”, a “consumer loan” is a loan in which all of the following are applicable:

(1) The person is regularly engaged in the business of making loans.

(2) The debtor is a person other than an organization.

(3) The debt is incurred primarily for a personal, family or household purpose.

(4) Either the debt is payable in installments or a finance charge is made.

(5) The amount financed does not exceed twenty-five thousand dollars.

b. A “consumer loan” does not include:

(1) A sale or lease in which the seller or lessor allows the buyer or lessee to purchase or lease pursuant to a seller credit card.

(2) A debt which is secured by a first lien on real property and which is incurred primarily for the purpose of acquiring that real property, or refinancing a contract for deed to that real property, or constructing on that real property a building containing one or more dwelling units.

(3) A loan financed by the Iowa finance authority and secured by a lien on land.

(4) A consumer rental purchase agreement as defined in section 537.3604.

c. In determining which loans are consumer loans under this subsection the rules of construction stated in this paragraph shall be applied:

(1) A debt is incurred primarily for the purpose to which a majority of the loan proceeds are applied or are designated by the debtor to be applied.

(2) Loan proceeds used to refinance or pay a prior loan owed by the same borrower

are incurred for the same purposes and in the same proportion as the principal of the loan refinanced or paid.

(3) Loan proceeds used to pay a prior loan by a different borrower are incurred for the new borrower's purposes in agreeing to pay the prior loan.

(4) The assumption of a loan by a different borrower is treated as if the new borrower had obtained a new loan and had used all of the proceeds to pay the loan assumed.

(5) The provisions of this paragraph shall not be construed to modify or limit the provisions of section 535.8, subsection 2, paragraph "c" or "e".

16. "*Credit*" means the right granted by a person extending credit to a person to defer payment of debt, to incur debt and defer its payment, or to purchase property or services and defer payment therefor.

17. "*Credit card*" means a card or device issued under an arrangement pursuant to which a card issuer gives a cardholder the privilege of purchasing or leasing property or purchasing services, obtaining loans, or otherwise obtaining credit from the card issuer or other persons. A transaction is "*pursuant to a credit card*" if credit is obtained according to the terms of the arrangement by transmitting information contained on the card or device orally, in writing, by mechanical or automated methods, or in any other manner. A transaction is not "*pursuant to a credit card*" if the card or device is used solely to identify the cardholder and credit is not obtained according to the terms of the arrangement.

18. "*Creditor*" means the person who grants credit in a consumer credit transaction or, except as otherwise provided, an assignee of a creditor's right to payment, but use of the term does not in itself impose on an assignee any obligation of the assignee's assignor. In the case of credit granted pursuant to a credit card, the "*creditor*" is the card issuer and not another person honoring the credit card.

19. "*Credit union service organization*" means an organization, corporation, or association whose membership or ownership is primarily confined or restricted to credit unions or organizations of credit unions and whose purpose is primarily designed to provide services to credit unions, organizations of credit unions, or credit union members.

20. "*Earnings*" means compensation paid or payable to an individual or for the individual's account for personal services rendered or to be rendered by the individual, whether denominated as wages, salary, commission, bonus, or otherwise, and includes periodic payments pursuant to a pension, retirement or disability program.

21. *Finance charge*.

a. Except as otherwise provided in paragraph "b", "*finance charge*" means the sum of all charges payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or as a condition of the extension of credit, including any of the following types of charges which are applicable:

(1) Interest or any amount payable under a point, discount or other system of charges, however denominated, except that with respect to a consumer credit sale of goods or services a cash discount of five percent or less of the stated price of goods or services which is offered to the consumer for payment by cash, check or the like either immediately or within a period of time, is not part of the finance charge for the purpose of determining maximum charges pursuant to section 537.2401. A cash discount permitted by this subparagraph is not part of the finance charge for the purpose of determining compliance with section 537.3201 if it is properly disclosed as required by the Truth in Lending Act as amended to and including July 1, 1982 and regulations issued pursuant to that Act prior to July 1, 1982.

(2) Time price differential, credit service, service, carrying or other charge, however denominated.

(3) Premium or other charge for any guarantee or insurance protecting the creditor against the consumer's default or other credit loss.

(4) Charges incurred for investigating the collateral or credit-worthiness of the consumer or for commissions or brokerage for obtaining the credit, irrespective of the person to whom the charges are paid or payable, unless the creditor had no notice of the charges when the credit was granted.

b. "*Finance charge*" does not include:

(1) Charges as a result of default or delinquency if made for actual unanticipated late

payment, delinquency, default, or other like occurrence unless the parties agree that these charges are finance charges. A charge is not made for actual unanticipated late payment, delinquency, default or other like occurrence if imposed on an account which is or may be debited from time to time for purchases or other debts and, under its terms, payment in full or at a specified amount is required when billed, and in the ordinary course of business the consumer is permitted to continue to have purchases or other debts debited to the account after the imposition of the charge.

(2) Additional charges as defined in section 537.2501, or deferral charges as defined in section 537.2503.

(3) A discount, if a creditor purchases or satisfies obligations of a cardholder pursuant to a credit card and the purchase or satisfaction is made at less than the face amount of the obligation.

(4) Lease payments for a consumer rental purchase agreement, or charges specifically authorized by this chapter for consumer rental purchase agreements.

22. "*Gift certificate*" means a merchandise certificate conspicuously designated as a gift certificate, and purchased by a buyer for use by a person other than the buyer.

23. a. "*Goods*" includes, but is not limited to:

- (1) "Goods" as described in section 554.2105, subsection 1.
- (2) Goods not in existence at the time the transaction is entered into.
- (3) Things in action.
- (4) Investment securities.
- (5) Mobile homes regardless of whether they are affixed to the land.
- (6) Gift certificates.

b. "*Goods*" excludes money, chattel paper, documents of title, instruments and merchandise certificates other than gift certificates.

24. "*Insurance premium loan*" means a consumer loan that is made for the sole purpose of financing the payment by or on behalf of an insured of the premium on one or more policies or contracts issued by or on behalf of an insurer, is secured by an assignment by the insured to the lender of the unearned premium on the policy or contract, and contains an authorization to cancel the policy or contract financed.

25. "*Lender*" means a person who makes a loan or, except as otherwise provided in this Act, a person who takes an assignment of a lender's right to payment, but use of the term does not in itself impose on an assignee any obligation of the lender.

26. "*Lender credit card*" means a credit card issued by a lender.

27. a. "*Loan*" means any of the following, except as provided in paragraph "b":

(1) The creation of debt by the lender's payment of or agreement to pay money to the debtor or to a third person for the account of the debtor.

(2) The creation of debt by a credit to an account with the lender upon which the debtor is entitled to draw immediately.

(3) The creation of debt pursuant to a lender credit card in any manner, including a cash advance or the card issuer's honoring a draft or similar order for the payment of money drawn or accepted by the debtor, paying or agreeing to pay the debtor's obligation, or purchasing or otherwise acquiring the debtor's obligation from the obligee or the obligee's assignees.

(4) The creation of debt by a cash advance to a debtor pursuant to a seller credit card.

(5) The forbearance of debt arising from a loan.

b. "*Loan*" does not include:

(1) A card issuer's payment or agreement to pay money to a third person for the account of a debtor if the debt of the debtor arises from a sale or lease and results from use of a seller credit card.

(2) The forbearance of debt arising from a sale or lease.

28. "*Merchandise certificate*" means a writing not redeemable in cash and usable in its face amount in lieu of cash in exchange for goods or services. Sale of a merchandise certificate on credit is a credit sale beginning at the time the certificate is redeemed.

29. "*Mortgage lender*" means a domestic or foreign corporation authorized in this state to make loans secured by mortgages or deeds of trust.

30. "*Official fees*" means:

a. Fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting, releasing, terminating, or satisfying a security interest related to a consumer credit transaction.

b. Premiums payable for insurance in lieu of perfecting a security interest otherwise required by the creditor in connection with the transaction, if the premium does not exceed the fees and charges described in paragraph “a” which would otherwise be payable.

31. “*Open-end credit*” means an arrangement, other than a consumer rental purchase agreement, pursuant to which all of the following are applicable:

a. A creditor may permit a consumer, from time to time, to purchase or lease on credit from the creditor or pursuant to a credit card, or to obtain loans from the creditor or pursuant to a credit card.

b. The amounts financed and the finance and other appropriate charges are debited to an account.

c. The finance charge, if made, is computed on the account periodically.

d. Either the consumer has the privilege of paying in full or in installments, or the transaction is a consumer credit transaction solely because a delinquency charge or the like is treated as a finance charge pursuant to subsection 21, paragraph “b”, subparagraph (1) of this section or the creditor otherwise periodically imposes charges computed on the account for delaying payment of it and permits the consumer to continue to purchase or lease on credit.

32. “*Organization*” means a corporation, government or governmental subdivision or agency, trust, estate, cooperative, or association.

33. “*Payable in installments*” means that payment is required or permitted by agreement to be made in more than four periodic payments, excluding a down payment. If any periodic payment other than the down payment under an agreement requiring or permitting two or more periodic payments is more than twice the amount of any other periodic payment excluding the down payment, a transaction is “payable in installments”.

34. “*Person*” means:

a. A natural person, partnership, or an individual.

b. An organization.

35. a. “*Person related to*” with respect to a natural person or an individual means any of the following:

(1) The spouse of the individual.

(2) A brother, brother-in-law, sister, or sister-in-law of the individual.

(3) An ancestor or lineal descendant of the individual or the individual’s spouse.

(4) Any other relative, by blood or marriage, of the individual or the individual’s spouse, if the relative shares the same home with the individual.

b. “*Person related to*” with respect to an organization means:

(1) A person directly or indirectly controlling, controlled by or under common control with the organization.

(2) An officer or director of the organization or a person performing similar functions with respect to the organization or to a person related to the organization.

(3) The spouse of a person related to the organization.

(4) A relative by blood or marriage of a person related to the organization who shares the same home with the person.

36. A “*precomputed consumer credit transaction*” is a consumer credit transaction, other than a consumer lease or a consumer rental purchase agreement, in which the debt is a sum comprising the amount financed and the amount of the finance charge computed in advance. A disclosure required by the Truth in Lending Act does not in itself make a finance charge or transaction precomputed.

37. “*Presumed*” or “*presumption*” means that the trier of fact must find the existence of the fact presumed unless and until evidence is introduced which would support a finding of its nonexistence.

38. “*Sale of goods*” includes, but is not limited to, any agreement in the form of a bailment or lease of goods if the bailee or lessee pays or agrees to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the goods involved and it

is agreed that the bailee or lessee will become, or for no other or a nominal consideration has the option to become, the owner of the goods upon full compliance with the terms of the agreement. “*Sale of goods*” does not include a consumer rental purchase agreement.

39. “*Sale of an interest in land*” includes, but is not limited to, a lease in which the lessee has an option to purchase the interest, by which all or a substantial part of the rental or other payments previously made by the lessee are applied to the purchase price.

40. “*Sale of services*” means furnishing or agreeing to furnish services for a consideration and includes making arrangements to have services furnished by another.

41. “*Seller*” means a person who makes a sale or, except as otherwise provided in this chapter, a person who takes an assignment of the seller’s right to payment, but use of the term does not in itself impose on an assignee any obligation of the seller.

42. “*Seller credit card*” means either of the following:

a. A credit card issued primarily for the purpose of giving the cardholder the privilege of using the credit card to purchase or lease property or services from the card issuer, persons related to the card issuer, persons licensed or franchised to do business under the card issuer’s business or trade name or designation, or from any of these persons and from other persons as well.

b. A credit card issued by a person other than a supervised lender primarily for the purpose of giving the cardholder the privilege of using the credit card to purchase or lease property or services from at least one hundred persons not related to the card issuer.

43. “*Services*” includes, but is not limited to:

a. Work, labor, and other personal services.

b. Privileges or benefits with respect to transportation, hotel and restaurant accommodations, education, entertainment, recreation, physical culture, hospital accommodations, funerals, cemetery accommodations, and the like.

c. Insurance.

44. “*Supervised financial organization*” means a person, other than an insurance company or other organization primarily engaged in an insurance business, which is organized, chartered, or holding an authorization certificate pursuant to chapter 524, 533, or 534, or pursuant to the laws of any other state or of the United States which authorizes the person to make loans and to receive deposits, including a savings, share, certificate or deposit account, and which is subject to supervision by an official or agency of this state, such other state, or of the United States.

45. “*Supervised loan*” means a consumer loan, including a loan made pursuant to open end credit, in which the rate of the finance charge, calculated according to the actuarial method, exceeds the rate of finance charge permitted in chapter 535.

With respect to a consumer loan made pursuant to open end credit, the finance charge shall be deemed not to exceed the rate permitted in chapter 535 if the finance charge contracted for and received does not exceed a charge for each monthly billing cycle which is one-twelfth of that rate multiplied by the average daily balance of the open end account in the billing cycle for which the charge is made. The average daily balance of the open end account is the sum of the amount unpaid each day during that cycle divided by the number of days in the cycle. The amount unpaid on a day is determined by adding to the balance, if any, unpaid as of the beginning of that day all purchases and other debits and deducting all payments and other credits made or received as of that day. If the billing cycle is not monthly, the finance charge shall be deemed not to exceed that rate per year if the finance charge contracted for and received does not exceed a percentage which bears the same relation to that rate as the number of days in the billing cycle bears to three hundred sixty-five. 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.

[C58, 62, 66, 71, 73, §322.2(12) – (15), C75, 77, 79, S79, C81, §537.1301; 81 Acts, ch 76, 8, ch 177, §3, 4; 82 Acts, ch 1153, §9 – 13, 18(1), ch 1253, §42]

83 Acts, ch 101, §114; 83 Acts, ch 124, §24, 25; 87 Acts, ch 80, §26 – 34; 97 Acts, ch 187, §1; 2003 Acts, ch 44, §92; 2005 Acts, ch 44, §1

537.1302 Definition — Truth in Lending Act.

As used in this chapter, “*Truth in Lending Act*” means Tit. 1 of the Consumer Credit Protection Act, in subch. 1 of 15 U.S.C. ch. 41, as amended to and including July 1, 2010, and includes regulations issued pursuant to that Act prior to July 1, 2010.

[C75, 77, 79, 81, §537.1302; 82 Acts, ch 1153, §14]

89 Acts, ch 68, §1; 95 Acts, ch 31, §1; 95 Acts, ch 209, §27; 98 Acts, ch 1031, §1; 2008 Acts, ch 1025, §1; 2010 Acts, ch 1007, §1; 2010 Acts, ch 1061, §180

[T] Federal Act reference updated pursuant to Code editor directive

[T] Section amended

537.1303 Other defined terms.

Other defined terms in this chapter and the sections in which they appear are:

1. “*Closing costs*”. Section 537.2501, subsection 1, paragraph “e”.
2. “*Computational period*”. Section 537.2510, subsection 4, paragraph “a”.
3. “*Debt*”. Section 537.7102, subsection 3.
4. “*Debt collection*”. Section 537.7102, subsection 4.
5. “*Debt collector*”. Section 537.7102, subsection 5.
6. “*Disposable earnings*”. Section 537.5105, subsection 1, paragraph “a”.
7. “*Garnishment*”. Section 537.5105, subsection 1, paragraph “b”.
8. “*Interval*”. Section 537.2510, subsection 4, paragraph “b”.
9. “*Location*”. Section 537.2310, subsection 1.
10. “*Pursuant to a credit card*”. Section 537.1301, subsection 17.
11. “*Residence*”. Section 537.1201, subsection 4.

[C75, 77, 79, 81, §537.1303]

2003 Acts, ch 108, §99

ARTICLE 2

FINANCE CHARGES AND RELATED PROVISIONS

PART 1

GENERAL PROVISIONS

537.2101 Short title.

This article shall be known and may be cited as the “*Iowa Consumer Credit Code — Finance Charges and Related Provisions*”.

[C75, 77, 79, 81, §537.2101]

537.2102 Scope.

Part 2 applies to consumer credit sales. Parts 3 and 4 apply to consumer loans. Part 5 applies to other charges and modifications with respect to consumer credit transactions. Part 6 applies to other credit transactions.

[C75, 77, 79, 81, §537.2102]

PART 2

CONSUMER CREDIT SALES:
MAXIMUM FINANCE CHARGES**537.2201 Finance charge for consumer credit sales not pursuant to open end credit.**

1. With respect to a consumer credit sale, other than a sale pursuant to open end credit, a creditor may contract for and receive a finance charge not exceeding the maximum charge permitted by the law of this state or the United States for similar creditors. In addition, with respect to a consumer credit sale of goods or services, other than a sale pursuant to open end

credit or a sale of a motor vehicle, a creditor may contract for and receive a finance charge not exceeding that permitted in subsections 2 to 6. With respect to a consumer credit sale of a motor vehicle, a creditor may contract for and receive a finance charge as provided in section 322.19, and a finance charge in excess of that provided in section 322.19, is an excess charge in violation of this chapter.

2. The finance charge, calculated according to the actuarial method, may not exceed twenty-one percent per year on the unpaid balances of the amount financed.

3. This section does not limit or restrict the manner of calculating the finance charge whether by way of add-on, discount, or otherwise, so long as the rate of the finance charge does not exceed that permitted by this section. If the sale is a precomputed consumer credit transaction, the finance charge may be calculated on the assumption that all scheduled payments will be made when due, and the effect of prepayment is governed by the provisions on rebate upon prepayment contained in section 537.2510.

4. For the purposes of this section, the term of a sale agreement commences with the date the credit is granted or, if goods are delivered or services performed ten days or more after that date, with the date of commencement of delivery or performance. Any month may be counted as one-twelfth of a year, but a day is counted as one-three hundred sixty-fifth of a year. Subject to classifications and differentiations the seller may reasonably establish, a part of a month in excess of fifteen days may be treated as a full month if periods of fifteen days or less are disregarded and that procedure is not consistently used to obtain a greater yield than would otherwise be permitted. The administrator may adopt rules not inconsistent with the Truth in Lending Act with respect to treating as regular other minor irregularities in amount or time.

5. Subject to classifications and differentiations the seller may reasonably establish, the seller may make the same finance charge on all amounts financed within a specified range. A finance charge so made does not violate subsection 2 if both of the following are applicable:

a. When applied to the median amount within each range, it does not exceed the maximum rate permitted by subsection 1.

b. When applied to the lowest amount within each range, it does not produce a rate of finance charge exceeding the rate calculated according to paragraph "a" by more than eight percent of the rate calculated according to paragraph "a" of this subsection.

6. Regardless of subsection 2, the seller may contract for and receive a minimum finance charge of not more than five dollars when the amount financed does not exceed seventy-five dollars, or seven dollars and fifty cents when the amount financed exceeds seventy-five dollars.

[C75, 77, 79, 81, §537.2201; 82 Acts, ch 1153, §15, 18(1)]

537.2202 Finance charge for consumer credit sales pursuant to open end credit.

1. With respect to a consumer credit sale made pursuant to open end credit, a creditor may contract for and receive a finance charge without limitation as to amount or rate as permitted in this section.

2. For each billing cycle, a charge may be made which is a percentage of an amount not exceeding the greatest of the following:

a. The average daily balance of the open end account in the billing cycle for which the charge is made, which is the sum of the amount unpaid each day during that cycle, divided by the number of days in that cycle. The amount unpaid on a day is determined by adding to the balance, if any, unpaid as of the beginning of that day all purchases and other debits and deducting all payments and other credits made or received as of that day.

b. The balance of the open end account at the beginning of the first day of the billing cycle, after deducting all payments and credits made in the cycle except credits attributable to purchases charged to the account during the cycle.

c. The median amount within a specified range including the balance of the open end account not exceeding that permitted by paragraph "a" or "b". A charge may be made pursuant to this paragraph only if the creditor, subject to classifications and differentiations the creditor may reasonably establish, makes the same charge on all balances within the specified range and if the percentage when applied to the median amount within the range

does not produce a charge exceeding the charge resulting from applying that percentage to the lowest amount within the range by more than eight percent of the charge on the median amount.

[C75, 77, 79, 81, §537.2202]

84 Acts, ch 1237, §1; 97 Acts, ch 187, §2, 3; 98 Acts, ch 1100, §73

PART 3

CONSUMER LOANS: SUPERVISED LOANS

537.2301 Authority to make supervised loans.

1. As used in this part, “*licensing authority*” means the agency designated in chapter 524, 533, 534, 536, or 536A to issue licenses or otherwise authorize the conduct of business pursuant to the respective chapter or this chapter, and “*licensee*” includes any person subject to regulation by a licensing authority. “*License*” includes the authorization, of whatever form, to engage in the conduct regulated under those chapters.

2. A person who is not authorized to make supervised loans as provided herein shall not engage in the business of making supervised loans or undertaking direct collection of payments from or enforcement of rights against consumers arising from supervised loans, but the person may collect and enforce for three months without a license if the person promptly applies for a license and the person’s application has not been denied.

3. The following persons are authorized to make supervised loans:

- a. A person who is a supervised financial organization.
- b. A person who has obtained a license pursuant to either chapter 536 or 536A.
- c. A person who enters into less than ten supervised loans per year in this state and has neither an office physically located in this state nor engages in face-to-face solicitation in this state.

4. This section shall not affect dollar amount, purpose, or rate of finance charge restrictions imposed by any statute of this state or of the United States with respect to which a person is authorized to make loans at a rate of finance charge in excess of that permitted by chapter 535 or pursuant to which a person is licensed.

[C75, 77, 79, 81, §537.2301]

537.2302 Reserved.

537.2303 Revocation or suspension of license.

1. The licensing authority may issue to a person subject to regulation by that authority an order to show cause why the person’s license with respect to one or more specific places of business should not be suspended for a period not in excess of six months, or revoked. The order shall set the place for a hearing and set a time for the hearing that is not less than ten days from the date of the order. After the hearing, if the licensing authority finds that the licensee has intentionally violated this chapter, or any rule or order made pursuant to law, including an order of discontinuance, or if facts or conditions exist which would clearly have justified the licensing authority in refusing to grant a license for that place or those places of business had these facts or conditions been known to exist at the time the application for the license was made, the licensing authority shall revoke or suspend the license or, if there are mitigating circumstances, may accept an assurance of discontinuance as provided in section 537.6109, and allow retention of the license.

2. No revocation or suspension of a license is lawful unless prior to institution of proceedings by the licensing authority notice is given to the licensee of the facts or conduct which warrant the intended action, and the licensee is given an opportunity to show compliance with all lawful requirements for retention of the license.

3. If the licensing authority finds that probable cause for revocation of a license exists and that enforcement of the law requires immediate suspension of the license pending

investigation, the licensing authority may, after a hearing upon five days' written notice, enter an order suspending the license for not more than thirty days.

4. Whenever the licensing authority revokes or suspends a license, the licensing authority shall enter an order to that effect and forthwith notify the licensee of the revocation or suspension. Within five days after the entry of the order the licensing authority shall deliver to the licensee a copy of the order and the findings supporting the order.

5. Any person holding a license to make supervised loans may relinquish the license by notifying the licensing authority in writing of its relinquishment, but this relinquishment does not affect the licensee's liability for acts previously committed.

6. No revocation, suspension or relinquishment of a license impairs or affects the obligation of any preexisting lawful contract between the licensee and any consumer.

7. The licensing authority may reinstate a license, terminate a suspension or grant a new license to a person whose license has been revoked or suspended if no fact or condition then exists which clearly would justify the licensing authority in refusing to grant a license.

[C75, 77, 79, 81, §537.2303]

537.2304 Records — annual reports.

1. Every licensee shall maintain records in conformity with generally accepted accounting principles and practices in a manner that will enable the licensing authority to determine whether the licensee is complying with the provisions of law. The recordkeeping system of a licensee is sufficient if the licensee makes the required information reasonably available. The records need not be kept in the place of business where supervised loans are made, if the licensing authority is given free access to the records wherever located.

2. On or before April 15 each year every licensee shall file with the licensing authority a composite annual report in the form prescribed by that authority relating to all supervised loans made by the licensee. The licensing authority shall consult with comparable officials in other states for the purpose of making the kinds of information required in annual reports uniform among the states. Information contained in annual reports shall be confidential and may be published only in composite form. The licensing authority shall assess against a licensee who fails to file the prescribed report on or before April 15 a penalty of ten dollars for each day the report is overdue, up to a maximum of thirty days. When an annual report is overdue for more than thirty days, the licensing authority may institute proceedings under section 537.2303 for revocation of the licenses held by the licensee.

[C75, 77, 79, 81, §537.2304]

537.2305 Examinations and investigations.

1. For the purpose of discovering violations of this chapter or securing information lawfully required, the licensing authority shall examine periodically at intervals the licensing authority deems appropriate, but not less frequently than is required for other examinations of the licensee by section 524.217, 533.113, 534.401, 536.10, or 536A.15, whichever is applicable, the loans, business, and records of every licensee, except a licensee which has no office physically located in this state and engages in no face-to-face solicitation in this state. In addition, the licensing authority may at any time investigate the loans, business, and records of any lender. For these purposes the licensing authority shall be given free and reasonable access to the offices, places of business, and records of the lender.

2. If the lender's records are located outside this state, the lender at the lender's option shall make them available to the licensing authority at a convenient location within this state, or pay the reasonable and necessary expenses for the licensing authority or the licensing authority's representative to examine them at the place where they are maintained. The licensing authority may designate representatives, including comparable officials of the state in which the records are located, to inspect them on the licensing authority's behalf.

3. For the purposes of this section, the licensing authority may administer oaths or affirmations, and upon the licensing authority's own motion or upon request of any party may subpoena witnesses, compel their attendance, adduce evidence, and require the production of any matter which is relevant to the investigation, including the existence, description, nature, custody, condition, and location of any books, documents, or other

tangible things and the identity and location of persons having knowledge of relevant facts, or any other matter reasonably calculated to lead to the discovery of admissible evidence.

4. Upon failure without lawful excuse to obey a subpoena or to give testimony and upon reasonable notice to all persons affected thereby, the licensing authority may apply to the district court for an order compelling compliance.

[C75, 77, 79, 81, §537.2305]

2007 Acts, ch 174, §95

537.2306 Reserved.

537.2307 Restrictions on interest in land as security.

With respect to a supervised loan in which the rate of finance charge is in excess of fifteen percent computed according to the actuarial method, and the amount financed is two thousand dollars or less, a lender may not contract for a security interest in real property used as a residence for the consumer or the consumer's dependents. A security interest taken in violation of this section is void.

[C75, 77, 79, 81, §537.2307]

537.2308 Regular schedule of payments — maximum loan term.

Supervised loans, not made pursuant to open end credit and in which the amount financed is one thousand dollars or less, shall be scheduled to be payable in substantially equal installments at substantially equal periodic intervals except to the extent that the schedule of payments is adjusted to the seasonal or irregular income of the debtor, and over a period of not more than thirty-seven months if the amount financed is more than three hundred dollars, or over a period of not more than twenty-five months if the amount financed is three hundred dollars or less. However, a lender may make a loan not pursuant to open end credit that is repayable in a single payment if the amount financed does not exceed one thousand dollars and if the finance charge does not exceed the rate permitted by section 537.2401, subsection 1, to be charged by a supervised financial organization.

[C75, 77, 79, 81, §537.2308; 81 Acts, ch 179, §1]

537.2309 No other business for purpose of evasion.

A lender may not carry on other business for the purpose of evasion or violation of this chapter at a location where the lender makes supervised loans.

[C75, 77, 79, 81, §537.2309]

537.2310 Conduct of business other than making loans.

1. Except as provided in subsection 2, a licensee authorized to make supervised loans pursuant to section 537.2301 may not engage in the business of selling or leasing tangible goods at a location where supervised loans are made. In this section, "location" means the entire space in which supervised loans are made and the location must be separated from any space where goods are sold or leased by walls which may be broken only by a passageway to which the public is not admitted.

2. This section does not apply to:

- a. Occasional sales of property used in the ordinary course of business of the licensee.
- b. Sales of items of collateral of which the licensee has taken possession.
- c. Sales of items by a licensee who is also authorized by law to operate as a pawnbroker.
- d. Sales of property or items by the licensee which are not for the profit of the licensee and which are sold for a price not exceeding fifty dollars.

[C75, 77, 79, 81, §537.2310; 82 Acts, ch 1253, §41]

PART 4

CONSUMER LOANS: MAXIMUM FINANCE
CHARGES**537.2401 Finance charge for consumer loans not pursuant to open-end credit.**

1. Except as provided with respect to a finance charge for loans pursuant to open-end credit under section 537.2402 and loans secured by a certificate of title of a motor vehicle under section 537.2403, a lender may contract for and receive a finance charge not exceeding the maximum charge permitted by the laws of this state or of the United States for similar lenders, and, in addition, with respect to a consumer loan, a supervised financial organization or a mortgage lender may contract for and receive a finance charge, calculated according to the actuarial method, not exceeding twenty-one percent per year on the unpaid balance of the amount financed. Except as provided in section 537.2403, this subsection does not prohibit a lender from contracting for and receiving a finance charge exceeding twenty-one percent per year on the unpaid balance of the amount financed on consumer loans if authorized by other provisions of the law.

2. This section does not limit or restrict the manner of calculating the finance charge, whether by way of add-on, discount, or otherwise, so long as the rate of the finance charge does not exceed that permitted by this section or the laws of this state or of the United States. The finance charge permitted by this section or the laws of this state or of the United States may be calculated by determining the single annual percentage rate as required to be disclosed to the consumer pursuant to section 537.3201 which, when applied according to the actuarial method to the unpaid balances of the amount financed, will yield the finance charge for that transaction which would result from applying any graduated rates permitted by this section or the laws of this state or of the United States to the transaction on the assumption that all scheduled payments will be made when due. If the loan is a precomputed consumer credit transaction, the finance charge may be calculated on the assumption that all scheduled payments will be made when due, and the effect of prepayment is governed by section 537.2510.

3. Except as provided in subsection 5, the term of a loan for the purposes of this section commences on the date the loan is made. Any month may be counted as one-twelfth of a year but a day is counted as one-three hundred sixty-fifth of a year. Subject to classifications and differentiations the lender may reasonably establish, a part of a month in excess of fifteen days may be treated as a full month if periods of fifteen days or less are disregarded and that procedure is not consistently used to obtain a greater yield than would otherwise be permitted. The administrator may adopt rules not inconsistent with the Truth in Lending Act with respect to treating as regular other minor irregularities in amount or time.

4. Subject to classifications and differentiations the lender may reasonably establish, the lender may make the same finance charge on all amounts financed within a specified range. A finance charge so made does not violate subsection 1, if both of the following are applicable:

a. When applied to the median amount within each range, it does not exceed the maximum permitted by that subsection.

b. When applied to the lowest amount within each range, it does not produce a rate of finance charge exceeding the rate calculated according to paragraph "a" by more than eight percent of the rate calculated according to paragraph "a".

5. With respect to an insurance premium loan, the term of the loan commences on the earliest inception date of a policy or contract of insurance for which the premium is financed.

[C75, 77, 79, 81, §537.2401; 82 Acts, ch 1153, §16, 18(1)]

83 Acts, ch 124, §26; 2007 Acts, ch 26, §1

537.2402 Finance charge for consumer loans pursuant to open-end credit.

1. If authorized to make supervised loans, 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 as permitted in this section except as provided in section 537.2403.

2. For each billing cycle, a charge may be made which is a percentage of an amount not exceeding the greatest of the following:

a. The average daily balance of the open-end account in the billing cycle for which the charge is made, which is the sum of the amount unpaid each day during that cycle, divided by the number of days in that cycle. The amount unpaid on a day is determined by adding to the balance, if any, unpaid as of the beginning of that day all purchases and other debits and deducting all payments and other credits made or received as of that day.

b. The balance of the open-end account at the beginning of the first day of the billing cycle, after deducting all payments and credits made in the cycle except credits attributable to purchases charged to the account during the cycle.

c. The median amount within a specified range including the balance of the open-end account not exceeding that permitted by paragraph “a” or “b”. A charge may be made pursuant to this paragraph only if the organization, subject to classifications and differentiations it may reasonably establish, makes the same charge on all balances within the specified range and if the percentage when applied to the median amount within the range does not produce a charge exceeding the charge resulting from applying that percentage to the lowest amount within the range by more than eight percent of the charge on the median amount.

[C75, 77, 79, 81, §537.2402]

84 Acts, ch 1237, §2; 89 Acts, ch 295, §2; 97 Acts, ch 187, §4, 5; 98 Acts, ch 1100, §74; 2007 Acts, ch 26, §2

537.2403 Finance charge for consumer loans secured by a motor vehicle.

1. A lender shall not contract for or receive a finance charge exceeding twenty-one percent per year on the unpaid balance of the amount financed for a loan of money secured by a certificate of title to a motor vehicle used for personal, family, or household purpose except as authorized under chapter 536 or 536A. A consumer who is charged a finance charge in excess of the limitation in this section may seek any remedies available pursuant to this chapter for an excess charge.

2. It shall be a violation of this section and an unlawful practice under section 714.16 to attempt to avoid application of this section by structuring a loan of money secured by a certificate of title to a motor vehicle as a sale, sale and repurchase, sale and lease, pawn, rental purchase, lease, or other type of transaction with the intent to avoid application of this section or any other applicable provision of this chapter.

2007 Acts, ch 26, §3

PART 5

CONSUMER CREDIT TRANSACTIONS: OTHER CHARGES AND MODIFICATIONS

537.2501 Additional charges.

1. In addition to the finance charge permitted by parts 2 and 4, a creditor may contract for and receive the following additional charges:

a. Official fees and taxes.

b. Charges for insurance as described in subsection 2.

c. Amounts actually paid or to be paid by the creditor for registration, certificate of title or license fees.

d. Annual charges, payable in advance, for the privilege of using a credit card which entitles the cardholder to purchase or lease goods or services from at least one hundred persons not related to the card issuer, under an arrangement pursuant to which the debts resulting from the purchases or leases are payable to the card issuer.

e. With respect to a debt secured by an interest in land, the following “closing costs,” provided they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this chapter:

(1) Fees or premiums for title examination, abstract of title, title insurance, or similar purposes including surveys.

(2) Fees for preparation of a deed, settlement statement, or other documents, if not paid to the creditor or a person related to the creditor.

(3) Escrows for future payments of taxes, including assessments for improvements, insurance and water, sewer and land rents.

(4) Fees for notarizing deeds and other documents, if not paid to the creditor or a person related to the creditor.

f. With respect to open-end credit 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, the parties may contract for an over-limit charge up to fifteen dollars if the balance of the account exceeds the credit limit established pursuant to the agreement. The over-limit charge under this paragraph shall not be assessed again in a subsequent billing cycle unless in a subsequent billing cycle the account balance has been reduced below the credit limit.

If the differential treatment of this subsection based on the number of persons honoring a credit card is found to be unconstitutional, the parties may contract for the over-limit charge as described in this paragraph in any consumer credit transaction pursuant to open-end credit, and the other conditions relating to the over-limit charge shall remain in effect.

g. A surcharge of not more than five percent of the amount of the face value of the payment instrument or twenty dollars, whichever is greater, for each dishonored payment instrument provided that the fee is clearly and conspicuously disclosed in the cardholder agreement. However, the amount of the surcharge shall not exceed twenty dollars unless the check, draft, or order was presented twice or the maker does not have an account with the drawee. If the check, draft, or order was presented twice or the maker does not have an account with the drawee, the amount of the surcharge shall not exceed fifty dollars. The surcharge shall not be assessed against the maker if the reason for the dishonor of the instrument is that the maker has stopped payment pursuant to section 554.4403.

h. Charges for other benefits, including insurance, conferred on the consumer, if the benefits are of value to the consumer and if the charges are reasonable in relation to the benefits, are of a type which is not for credit, and are authorized as permissible additional charges by rule adopted by the administrator.

i. A reasonable annual account maintenance fee, payable in advance, for the privilege of maintaining a demand deposit account with a line of credit that may be accessed by the account holder writing a check.

j. For a consumer loan where the amount financed does not exceed three thousand dollars and the term of the loan does not exceed twelve months, a bank, savings bank, savings and loan association, or credit union incorporated pursuant to state or federal law may charge an additional application fee not to exceed the lesser of ten percent of the amount financed or thirty dollars. If the loan is not approved, the application fee shall not exceed the lesser of ten percent of the amount applied for by the applicant or thirty dollars. The fee permitted pursuant to this paragraph shall not be charged in connection with a loan used for the purchase of a motor vehicle, or for a loan where the borrower's dwelling is used as security.

2. An additional charge may be made for insurance written in connection with the transaction, as follows:

a. With respect to insurance against loss of or damage to property, or against liability arising out of the ownership or use of property, if the creditor furnishes a clear, conspicuous and specific statement in writing to the consumer setting forth the cost of the insurance if obtained from or through the creditor and stating that the consumer may choose the person through whom the insurance is to be obtained.

b. With respect to consumer credit insurance providing life, accident, health, or unemployment coverage, if the insurance coverage is not required by the creditor, and this fact is clearly and conspicuously disclosed in writing to the consumer, and if, in order to obtain the insurance in connection with the extension of credit, the consumer gives specific dated and separately signed affirmative written indication of the consumer's desire to do

so after written disclosure to the consumer of the cost. However, credit unemployment insurance shall be permitted under this paragraph if all of the following conditions have been met:

(1) The insurance provides coverage beginning with the first day of unemployment. However, the policy may include a waiting period before the consumer may file a claim.

(2) The insurance shall be sold separately and shall be separately priced from any other insurance offered or sold at the same time. The credit unemployment insurance need not be sold separately or separately priced from other insurance offered if it is included as part of an insurance offering by a credit card issuer to its credit cardholders.

(3) The premium rates have been affirmatively approved by the insurance division of the department of commerce. In approving or establishing the rates, the division shall review the insurance company's actuarial data to assure that the rates are fair and reasonable. The insurance commissioner shall either hire or contract with a qualified actuary to review the data. The insurance division shall obtain reimbursement from the insurance company for the cost of the actuarial review prior to approving the rates. In addition, the rates shall be made in accordance with the following provisions:

(a) Rates shall not be excessive, inadequate or unfairly discriminatory.

(b) Due consideration shall be given to all relevant factors within and outside this state but rates shall be deemed to be reasonable under this section if they reasonably may be expected to produce a ratio of fifty percent by dividing claims incurred by premiums earned.

3. With respect 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, the creditor may contract for and receive any charge lawfully contained in a prior agreement between the consumer and a prior creditor from whom the creditor currently issuing the credit card acquired the credit card account, if the account was acquired in an arm's-length for-value sale from a nonrelated or nonaffiliated creditor. The creditor may charge any charge on new open-end credit accounts lawfully permitted in a prior agreement between a consumer and a prior creditor from whom the creditor currently issuing the credit card acquired the credit card accounts.

[C24, 27, 31, §9422; C35, §9438-f13; C39, §9438.13; C46, 50, 54, 58, 62, §536.13(6); C66, 71, 73, §536.13(6), 536A.23(6); C75, 77, 79, 81, § 537.2501]

86 Acts, ch 1151, §1; 89 Acts, ch 68, §2, 3; 89 Acts, ch 296, §75; 95 Acts, ch 137, §1; 96 Acts, ch 1114, §1, 2; 99 Acts, ch 116, §1; 2007 Acts, ch 118, §2

537.2502 Delinquency charges.

1. With respect to a consumer credit transaction not pursuant to an open-end credit arrangement and other than a consumer lease or consumer rental purchase agreement, the parties may contract for a delinquency charge on any installment not paid in full within ten days after its due date, as originally scheduled or as deferred, in an amount as follows:

a. For a precomputed transaction, an amount not exceeding the greater of either of the following:

(1) Five percent of the unpaid amount of the installment, or a maximum of twenty dollars.

(2) The deferral charge that would be permitted to defer the unpaid amount of the installment for the period that it is delinquent.

b. For an interest-bearing transaction, an amount not exceeding five percent of the unpaid amount of the installment, or a maximum of fifteen dollars.

2. A delinquency charge under subsection 1 may be collected only once on an installment however long it remains in default. No delinquency charge may be collected with respect to a deferred installment unless the installment is not paid in full within ten days after its deferred due date. A delinquency charge may be collected at the time it accrues or at any time afterward.

3. A delinquency charge shall not be collected under subsection 1, paragraph "a", on an installment that is paid in full within ten days after its scheduled or deferred installment due date even though an earlier maturing installment or a delinquency or deferral charge on an earlier installment may not have been paid in full. For purposes of this subsection, payments

associated with a precomputed transaction are applied first to current installments and then to delinquent installments.

4. With respect to open-end credit, the parties may contract for a delinquency charge on any payment not paid in full when due, as originally scheduled or as deferred, in an amount up to fifteen dollars.

5. A delinquency charge under subsection 4 may be collected only once on a payment however long it remains in default. A delinquency charge shall not be collected with respect to a deferred payment unless the payment is not paid in full on or before its deferred due date. A delinquency charge may be collected at the time it accrues or at any time afterward.

6. A delinquency charge shall not be collected under subsection 4 on a payment associated with a precomputed transaction that is paid in full on or before its scheduled or deferred due date even though an earlier maturing payment or a delinquency or deferred charge on an earlier payment has not been paid in full. For purposes of this subsection, payments are applied first to amounts due for the current billing cycle and then to delinquent payments.

[C66, 71, 73, §536.13(7), 536A.23(3); C75, 77, 79, 81, §537.2502]

89 Acts, ch 68, §4; 93 Acts, ch 124, §1; 95 Acts, ch 113, §1; 96 Acts, ch 1114, §3 – 5; 97 Acts, ch 187, §6, 7; 99 Acts, ch 15, §3; 2003 Acts, 1st Ex, ch 1, §125, 133

[2003 Acts, 1st Ex, ch 1, §125, 133, amendments to subsections 3 and 6 rescinded pursuant to *Rants v. Vilsack*, 684 N.W.2d 193]

2004 Acts, 1st Ex, ch 1001, §22, 23

537.2503 Deferral charges.

1. Before or after default in payment of a scheduled installment of a precomputed consumer credit transaction, the parties to the transaction may agree in writing to a deferral of all or part of one or more unpaid installments and the creditor may make at the time of deferral and receive at that time or at any time thereafter a deferral charge which is not in excess of one and one-half percent per month for the period of time for which it is deferred, but not to exceed the rate of finance charge which was required to be disclosed in the transaction to the consumer pursuant to section 537.3201 applied to each amount deferred for the period for which it is deferred. In computing a deferral charge for one or more months, any month may be counted as one-twelfth of a year and in computing a deferral charge for part of a month, a day shall be counted as one three hundred sixty-fifth of a year.

2. In addition to the deferral charge permitted by this section, a creditor may make and receive appropriate additional charges as permitted under section 537.2501, and the amount of these charges which is not paid may be added to the amount deferred for the purpose of computing the deferral charge according to subsection 1.

3. The parties may agree in writing at the time of a precomputed consumer credit transaction that if an installment is not paid within ten days after its due date, the creditor may unilaterally grant a deferral and make charges as provided in this section. No deferral charge may be made for a period after the date that the creditor elects to accelerate the maturity of the transaction.

4. A delinquency charge made by the creditor on an installment may not be retained if a deferral charge is made pursuant to this section with respect to the period of delinquency.

[C66, 71, 73, §536.13(7), 537A.23(4); C75, 77, 79, 81, §537.2503]

537.2504 Finance charge on refinancing.

With respect to a consumer credit transaction in which the rate of finance charge required to be disclosed in the transaction pursuant to section 537.3201 does not exceed eighteen percent per year, other than a consumer lease or a consumer rental purchase agreement, the creditor may, by agreement with the consumer, refinance the unpaid balance and may contract for and receive a finance charge based on the amount financed resulting from the refinancing at a rate not exceeding that permitted by the provisions on finance charge for consumer credit sales other than open end credit in section 537.2201 if a consumer credit sale is refinanced, the provisions on finance charge for a consumer loan other than a supervised loan in section 537.2401, subsection 1, or the provisions on finance charge for a supervised loan not pursuant to open end credit in section 537.2401, subsection 2, as applicable, if a consumer loan is

refinanced. With respect to a consumer credit transaction in which the rate of finance charge required to be disclosed in the transaction to the consumer pursuant to section 537.3201 exceeds eighteen percent per year, other than a consumer lease or a consumer rental purchase agreement, the creditor may by agreement with the consumer, refinance the unpaid balance and may contract for and receive a finance charge based on the amount financed resulting from the refinancing at a rate of finance charge not to exceed that which was required to be disclosed in the original transaction to the consumer pursuant to section 537.3201. For the purpose of determining the finance charge permitted, the amount financed resulting from the refinancing consists of:

1. If the transaction was not precomputed, the total of the unpaid balance of the amount financed and the accrued charges, including finance charges, on the date of the refinancing, or, if the transaction was precomputed, the amount determined by deducting the unearned portion of the finance charge and any other unearned charges, including charges for insurance or deferral charges, from the unpaid balance on the date of refinancing. For the purposes of this section, the unearned portion of the finance charge and deferral charge, if any, shall be determined as provided in section 537.2510, subsection 2, but without allowing any minimum charge.

2. Appropriate additional charges as permitted under section 537.2501, payment of which is deferred.

[C75, 77, 79, 81, §537.2504]

87 Acts, ch 80, §35

537.2505 Finance charge on consolidation.

1. In this section, “*consumer credit transaction*” does not include a consumer lease or a consumer rental purchase agreement.

2. If a consumer owes an unpaid balance to a creditor with respect to a consumer credit transaction and becomes obligated on another consumer credit transaction with the same creditor, the parties may agree to a consolidation resulting in a single schedule of payments. If the previous consumer credit transaction was not precomputed, the parties may agree to add the unpaid amount of the amount financed and accrued charges including finance charges on the date of consolidation to the amount financed with respect to the subsequent consumer credit transaction. If the previous consumer credit transaction was precomputed, the parties may agree to refinance the unpaid balance pursuant to section 537.2504, and to consolidate the amount financed resulting from the refinancing by adding it to the amount financed with respect to the subsequent consumer credit transaction. In either case the creditor may contract for and receive a finance charge as provided in subsection 3, based on the aggregate amount financed resulting from the consolidation.

3. If all debts consolidated arise exclusively from consumer loans, the creditor may contract for and receive the finance charge permitted by the provisions on finance charge for consumer loans pursuant to section 537.2401. If the debts consolidated include a debt arising from a consumer credit sale, including a transaction pursuant to a lender credit card, the amount of the finance charge is governed by the provisions on finance charge for consumer credit sales in section 537.2201.

4. If a consumer owes an unpaid balance to a creditor with respect to a consumer credit transaction arising out of a consumer credit sale, and becomes obligated on another consumer credit transaction arising out of another consumer credit sale by the same seller, the parties may agree to a consolidation resulting in a single schedule of payments either pursuant to subsection 2 or by adding together the unpaid balances with respect to the two sales.

[C75, 77, 79, 81, §537.2505]

87 Acts, ch 80, §36

537.2506 Advances to perform covenants of consumer.

1. If the agreement with respect to a consumer credit transaction other than a consumer lease or a consumer rental purchase agreement contains covenants by the consumer to perform certain duties pertaining to insuring or preserving collateral and the creditor pursuant to the agreement pays for performance of the duties on behalf of the consumer, the

creditor may add the amounts paid to the debt. Within a reasonable time after advancing any sums, the creditor shall state to the consumer in writing the amount of the sums advanced, any charges with respect to this amount, and any revised payment schedule and, if the duties of the consumer performed by the creditor pertain to insurance, a brief description of the insurance paid for by the creditor including the type and amount of coverages. No further information need be given.

2. A finance charge may be made for sums advanced pursuant to subsection 1 at a rate not exceeding the rate of finance charge required to be stated to the consumer pursuant to law in the disclosure statement required by this chapter and the Truth in Lending Act, except that with respect to open end credit the amount of the advance may be added to the unpaid balance of the debt and the creditor may make a finance charge not exceeding that permitted by section 537.2202 or 537.2402, as applicable.

[C75, 77, 79, 81, §537.2506]

87 Acts, ch 80, §37

537.2507 Attorney fee.

With respect to a consumer credit transaction, the agreement may not provide for the payment by the consumer of attorney fees. A provision in violation of this subsection is unenforceable.

[C75, 77, 79, 81, §537.2507]

537.2508 Conversion to open end credit.

The parties may agree at or within ten days prior to the time of conversion to add the unpaid balance of a consumer credit transaction, other than a consumer lease or a consumer rental purchase agreement, not made pursuant to open end credit to the consumer's open end credit account with the creditor. The unpaid balance so added is an amount equal to the amount financed determined according to the provisions on finance charge on refinancing under section 537.2504.

[C75, 77, 79, 81, §537.2508]

87 Acts, ch 80, §38

537.2509 Right to prepay.

Subject to the provisions on prepayment and minimum charge under section 537.2510, the consumer may prepay in full the unpaid balance of a consumer credit transaction, other than a consumer lease or a consumer rental purchase agreement, at any time.

[C58, 62, 66, 71, 73, §322.3(6, e); C75, 77, 79, 81, §537.2509]

87 Acts, ch 80, §39

537.2510 Rebate upon prepayment.

1. Except as provided in this section, upon prepayment in full of a precomputed consumer credit transaction, the creditor shall rebate to the consumer an amount not less than the amount of rebate provided in subsection 2, paragraph "a", or redetermine the earned finance charge as provided in subsection 2, paragraph "b", and rebate any other unearned charges including charges for insurance. If the rebate otherwise required is less than one dollar, no rebate need be made.

2. The amount of rebate and the redetermined earned finance charge shall be as follows:

a. The amount of rebate shall be determined by applying the rate of finance charge which was required to be disclosed in the transaction pursuant to section 537.3201, according to the actuarial method,

(1) If no deferral charges have been made in a transaction, to the unpaid balances and time remaining as originally scheduled for the period following prepayment.

(2) If a deferral charge has been made, to the unpaid balances and time remaining as deferred for the period following prepayment.

The time remaining for the period following prepayment shall be either the full days following the prepayment; or both the full days, counting the date of prepayment, between the prepayment date and the end of the computational period in which the prepayment

occurs, and the full computational periods following the date of prepayment to the scheduled due date of the final installment of the transaction.

b. The redetermined earned finance charge shall be determined by applying, according to the actuarial method, the rate of finance charge which was required to be disclosed in the transaction pursuant to section 537.3201 to the actual unpaid balances of the amount financed for the actual time the unpaid balances were outstanding as of the date of prepayment. Any delinquency or deferral charges collected before the date of prepayment shall be applied to reduce the amount financed as of the date collected.

3. Upon prepayment, but not otherwise, of a consumer credit transaction whether or not precomputed, other than a consumer lease, a consumer rental purchase agreement, or a transaction pursuant to open end credit:

a. If the prepayment is in full, the creditor may collect or retain a minimum charge not exceeding five dollars in a transaction which had an amount financed of seventy-five dollars or less, or not exceeding seven dollars and fifty cents in a transaction which had an amount financed of more than seventy-five dollars, if the minimum charge was contracted for, and the finance charge earned at the time of prepayment is less than the minimum charge contracted for.

b. If the prepayment is in part, the creditor may not collect or retain a minimum charge.

4. For the purposes of this section, the following defined terms apply:

a. “*Computational period*” means the interval between scheduled due dates of installments under the transaction if the intervals are substantially equal or, if the intervals are not substantially equal, one month if the smallest interval between the scheduled due dates of installments under the transaction is one month or more, and otherwise one week.

b. The “*interval*” between specified dates means the interval between them including one or the other but not both of them. If the interval between the date of a transaction and the due date of the first scheduled installment does not exceed one month by more than fifteen days when the computational period is one month, or eleven days when the computational period is one week, the interval may be considered by the creditor as one computational period.

5. This section does not preclude the collection or retention by the creditor of delinquency charges under section 537.2502.

6. If the maturity is accelerated for any reason and judgment is obtained, the consumer is entitled to the same rebate as if payment had been made on the date maturity is accelerated.

7. Upon prepayment in full of a precomputed consumer credit transaction by the proceeds of consumer credit insurance, the consumer or the consumer’s estate is entitled to the same rebate as though the consumer had prepaid the agreement on the date the proceeds of the insurance are paid to the creditor, but no later than ten business days after satisfactory proof of loss is furnished to the creditor.

[C66, 71, 73, §536.13(7), 536A.26; C75, 77, 79, 81, §537.2510]

87 Acts, ch 80, §40

PART 6

OTHER CREDIT TRANSACTIONS

537.2601 Charges for other credit transactions.

1. With respect to a credit transaction other than a consumer credit transaction, the parties may contract for the payment by the debtor of any finance or other charge as permitted by law.

2. With respect to a credit transaction which would be a consumer credit transaction if a finance charge were made, a charge for delinquency may not exceed amounts allowed for finance charges for consumer credit sales pursuant to open end credit.

[C75, 77, 79, 81, §537.2601]

2003 Acts, 1st Ex, ch 1, §126, 133

[2003 Acts, 1st Ex, ch 1, §126, 133, amendment to subsection 1 rescinded pursuant to *Rants v. Vilsack*, 684 N.W.2d 193]
 2004 Acts, 1st Ex, ch 1001, §22, 23

537.2602 Repealed by 79 Acts, ch 130, § 30.

ARTICLE 3

REGULATION OF AGREEMENTS AND PRACTICES

PART 1

GENERAL PROVISIONS

537.3101 Short title.

This article shall be known and may be cited as the “*Iowa Consumer Credit Code — Regulation of Agreements and Practices*”.

[C75, 77, 79, 81, §537.3101]

537.3102 Scope.

Part 2 applies to disclosure with respect to consumer credit transactions, other than consumer rental purchase agreements, and the provision in section 537.3201 applies to a sale of an interest in land or a loan secured by an interest in land, without regard to the rate of finance charge, if the sale or loan is otherwise a consumer credit sale or consumer loan. Parts 3 and 4 apply, respectively, to disclosure, limitations on agreements and practices, and limitations on consumer’s liability with respect to certain consumer credit transactions. Part 5 applies to home solicitation sales. Part 6 applies to consumer rental purchase agreements.

[C75, 77, 79, 81, §537.3102]

87 Acts, ch 80, §41; 2001 Acts, ch 24, §58

PART 2

DISCLOSURE

537.3201 Compliance with Truth in Lending Act.

A person upon whom the Truth in Lending Act imposes duties or obligations shall make or give to the consumer the disclosures, information and notices required of the person by that Act and in all respects shall comply with that Act. To the extent the Truth in Lending Act does not impose duties or obligations upon a person in a credit transaction, other than a consumer lease, which is a consumer credit transaction under this chapter, the person shall make or give to the consumer disclosures, information and notices in accordance with the Truth in Lending Act, with respect to the credit transaction.

[C75, 77, 79, 81, §537.3201]

537.3202 Consumer leases.

1. With respect to a consumer lease the lessor shall give to the consumer the following information:

- a. Brief description or identification of the goods.
- b. Amount of any payment required at the inception of the lease.
- c. Amount paid or payable for official fees, registration, certificate of title, or license fees or taxes.
- d. Amount of other charges not included in the periodic payments and a brief description of the charges.

e. Brief description of insurance to be provided or paid for by the lessor, including the types and amounts of the coverages.

f. Except with respect to a consumer lease made pursuant to a lender credit card, the number of periodic payments, the amount of each payment, the due date of the first payment, the due dates of subsequent payments or interval between payments, and the total amount payable by the consumer.

g. Statement of the conditions under which the consumer may terminate the lease prior to the end of the term.

h. Statement of the liabilities the lease imposes upon the consumer at the end of the term.

2. The disclosures required by this section are subject to the following:

a. They shall be made clearly and conspicuously in writing, a copy of which shall be delivered to the lessee.

b. They may be supplemented by additional information or explanations supplied by the lessor but none shall be stated, utilized or placed so as to mislead or confuse the lessee or contradict, obscure or detract attention from the information required to be disclosed by this section.

c. They need be made only to the extent applicable.

d. They shall be made on the assumption that all scheduled payments will be made when due and will comply with this section, although the assumption may be rendered inaccurate by an act, occurrence or agreement subsequent to the required disclosure.

e. They shall be made before the lease transaction is consummated but may be made in the lease to be signed by the lessee.

[C75, 77, 79, 81, §537.3202]

537.3203 Notice to consumer.

The creditor shall give to the consumer a copy of any writing evidencing a consumer credit transaction, other than one pursuant to open end credit, if the writing requires or provides for signature of the consumer. The writing evidencing the consumer's obligation to pay under a consumer credit transaction, other than one pursuant to open end credit, shall contain a clear and conspicuous notice to the consumer that the consumer should not sign it before reading it, that the consumer is entitled to a copy of it, and, except in the case of a consumer lease, that the consumer is entitled to prepay the unpaid balance at any time with such penalty and minimum charges as the agreement and section 537.2510 may permit, and may be entitled to receive a refund of unearned charges in accordance with law. The following notices if clear and conspicuous comply with this section:

1. In all transactions to which this section applies:

NOTICE TO CONSUMER: 1. Do not sign this paper before you read it. 2. You are entitled to a copy of this paper. 3. You may prepay the unpaid balance at any time without penalty and may be entitled to receive a refund of unearned charges in accordance with law.

2. In addition, in a transaction in which a minimum charge will be collected or retained, the notice to consumer shall state

4. If you prepay the unpaid balance, you may have to pay a minimum charge not greater than seven dollars and fifty cents.

[C58, 62, 66, 71, 73, §322.3(6, b); C75, 77, 79, 81, §537.3203]

[T] Subsection 2 editorially divided

537.3204 Notice of assignment.

A consumer is authorized to pay the original creditor until the consumer receives notification of assignment of rights to payment pursuant to a consumer credit transaction and that payment is to be made to the assignee. A notification which does not reasonably identify the rights assigned is ineffective. If requested by the consumer, the assignee must

seasonably furnish reasonable proof that the assignment has been made and unless the assignee does so the consumer may pay the original creditor.

[C75, 77, 79, 81, §537.3204]

537.3205 Change in terms of open-end credit accounts.

1. Whether or not a change is authorized by prior agreement, a creditor may make a change in the terms of an open-end credit account applying to any balance incurred after the effective date of the change only if the creditor delivers or mails to the consumer a written disclosure of the change at least sixty days before the effective date of the change.

2. Unless authorized by this chapter or unless agreed to by the consumer, a creditor shall not change the terms of an open-end credit account, with respect to 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 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 subsection 1 that the use will constitute the agreement of the consumer.

3. Notwithstanding subsection 2, a creditor may make a change in the terms of an open-end credit account with respect to a balance incurred before the effective date of the change if the creditor gives a written disclosure as provided in subsection 1 and if the credit card account is part of a portfolio of credit card accounts acquired in a bulk acquisition of the portfolio.

4. A disclosure provided for in subsection 1 is mailed to the consumer when mailed to the consumer at the consumer's address used by the creditor for mailing the consumer periodic billing statements.

5. If a creditor attempts to make a change in the terms of an open-end credit account without complying with this section, any additional cost or charge to the consumer resulting from the change is an excess charge and is subject to the remedies available to the consumer under section 537.5201 and to the administrator under section 537.6113.

6. Notwithstanding subsections 1 through 5, a creditor is not required to deliver or mail to the consumer a written disclosure of a change in the terms of an open-end credit account if the change involves a decrease in the rate of the finance charge, a decrease in a delinquency charge, or a decrease in an over-limit charge.

[C75, 77, 79, 81, §537.3205]

84 Acts, ch 1237, §3; 91 Acts, ch 118, §2, 3; 96 Acts, ch 1057, §1

537.3206 Receipt — statements of account — evidence of payment — credits.

1. The creditor shall deliver or mail to the consumer, without request, a written receipt for each payment by coin or currency on an obligation pursuant to a consumer credit transaction. A periodic statement for a computational period showing a payment received by mail complies with this subsection.

2. Upon written request of a consumer, the person to whom an obligation is owed pursuant to a consumer credit agreement shall provide a written statement of the dates and amounts of payments made within the twelve months preceding the month in which the request is received and the total amount unpaid as of the end of the period covered by the statement. The statement shall be provided without charge once during each year of the term of the obligation. If additional statements are requested the creditor may charge not in excess of three dollars for each additional statement.

3. After a consumer has fulfilled all obligations with respect to a consumer credit transaction, other than one pursuant to open end credit, the person to whom the obligation was owed shall, upon request of the consumer, deliver or mail to the consumer written evidence acknowledging payment in full of all obligations with respect to the transaction.

4. a. A creditor shall credit a payment to the consumer's account as of the date of receipt, except when a delay in crediting does not result in a finance or other charge, including a late charge, or except as provided in paragraph "b". For purposes of this subsection, a delay in

posting does not violate this subsection so long as the payment is credited as of the date of receipt.

b. If a creditor specifies requirements for the consumer to follow in making payments on the contract, payment coupon book, payment coupon or statement, or periodic statement, but accepts a payment that does not conform to the requirements, the creditor shall credit the payment within two days of receipt of such payment.

c. If a creditor fails to credit a payment as required by this subsection in time to avoid the imposition of a finance or other charge, including a delinquency charge, the creditor shall adjust the consumer's account so that the charges imposed are credited to the consumer's account during the next payment period.

[C75, 77, 79, 81, §537.3206]

99 Acts, ch 15, §4

537.3207 Form of insurance premium loan agreement.

An agreement pursuant to which an insurance premium loan is made shall contain the names of the insurance producer negotiating each policy or contract and of the insurer issuing each policy or contract, the number and inception date of, and premium for, each policy or contract, the date on which the term of the loan begins, and a clear and conspicuous notice that each policy or contract may be canceled if payment is not made in accordance with the agreement. If a policy or contract has not been issued when the agreement is signed, the agreement may provide that the insurance producer may insert the appropriate information in the agreement and, if they do so, shall furnish the information promptly in writing to the insured.

[C75, 77, 79, 81, §537.3207]

2001 Acts, ch 16, §35, 37

537.3208 Notice to cosigners and similar parties.

1. No natural person, other than the spouse of the consumer, is obligated as a cosigner, comaker, guarantor, endorser, surety, or similar party with respect to a consumer credit transaction, unless before or contemporaneously with signing any separate agreement of obligation or any writing setting forth the terms of the debtor's agreement, the person receives a separate written notice that contains a completed identification of the debt the person may have to pay and reasonably informs the person of the person's obligation with respect to it.

2. A clear and conspicuous notice in substantially the following form complies with this section:

NOTICE

You agree to pay the debt identified below although you may not personally receive any property, services, or money. You may be sued for payment although the person who receives the property, services, or money is able to pay. This notice is not the contract that obligates you to pay the debt. Read the contract for the exact terms of your obligation.

IDENTIFICATION OF DEBT YOU MAY HAVE TO PAY

.....
(name of debtor)

.....
(name of creditor)

.....
(date)

.....
(kind of debt)

I have received a copy of this notice.

.....
(Date)

.....
(Signed)

3. The notice required by this section need not be given to a seller, lessor, or lender who is obligated to an assignee of the seller's, lessor's, or lender's rights.

4. A person entitled to notice under this section shall also be given a copy of any writing setting forth the terms of the debtor's agreement and of any separate agreement of obligation signed by the person entitled to the notice.

[C75, 77, 79, 81, §537.3208]

537.3209 Advertising.

1. A seller, lessor, or lender shall not advertise, print, display, publish, distribute, utter or broadcast, or cause to be advertised, printed, displayed, published, distributed, uttered or broadcast in any manner, any false, misleading, or deceptive statement or representation with regard to the rates, terms or conditions of credit with respect to a consumer credit transaction.

2. Advertising that complies with the Truth in Lending Act does not violate this section.

3. This section does not apply to the owner or personnel, as such, of any medium in which an advertisement appears or through which it is disseminated.

[C24, 27, 31, §9432; C35, §9438-f12; C39, §9438.12; C46, 50, 54, 58, 62, §536.12; C66, 71, 73, §536.12, 536A.20; C75, 77, 79, 81, §537.3209]

537.3210 Prohibited statements relating to rates.

A creditor shall not state the rate of a finance charge to a consumer, in response to any inquiry, or in any advertisement, in the form of an add-on or discount rate, or in any form other than the rate calculated according to the actuarial method as a percent per year on the unpaid balances of the amount financed, or the annual percentage rate required to be disclosed under the Truth in Lending Act.

[C75, 77, 79, 81, §537.3210]

537.3211 Notice of consumer paper.

Every note which is a negotiable instrument as provided in section 554.3104 taken in a consumer credit transaction, if the writing requires or provides for a signature of the consumer, shall conspicuously show on its face the following: "This is a consumer credit transaction."

[C75, 77, 79, 81, §537.3211]

94 Acts, ch 1167, §3, 122

537.3212 Notice of methods of financing and rates.

1. With respect to a consumer who has an open end credit account with a creditor, and with respect to a creditor which offers to some or all of its customers consumer credit sales of goods or services both pursuant to open end credit and not pursuant to open end credit, that creditor shall give written notice to that consumer of those alternative methods at the times provided in subsection 3. The notice shall be as provided in subsection 2.

2. The notice required by this section shall conspicuously state the highest finance charge charged by that creditor to any consumer within the last calendar year for each type of credit sale. Such finance charge shall be stated as an annual percentage rate in such form as is required pursuant to section 537.3201 for each type of credit sale described in subsection 1, and the terms of repayment for each type of credit sale.

3. This section is complied with if notice is given at the following times:

a. With respect to an existing open end credit account holder, in a writing contained as a part of, or mailed with a periodic statement mailed to the account holders and no less than once every six months.

b. With respect to a consumer not holding an existing open end credit account, if the

written notice is presented to the person at the time of the consumer credit transaction, and thereafter as provided in paragraph “a”.

[C75, 77, 79, 81, §537.3212]

[P] This section not applicable under §535.11(6)

PART 3

LIMITATIONS ON AGREEMENTS AND PRACTICES

537.3301 Security in consumer credit transactions.

1. With respect to a consumer credit sale, a seller may take a security interest in the property sold. In addition, a seller may take a security interest in goods upon which services are performed or in which goods sold are installed or to which they are annexed, or in land to which the goods are affixed or which is maintained, repaired or improved as a result of the sale of the goods or services, if in the case of a security interest in land the amount financed is one thousand dollars or more, or in the case of a security interest in goods if either the amount financed is three hundred dollars or more, or if the goods are household goods, or motor vehicles used by a consumer, the consumer’s dependents, or the family with which the consumer resides, as transportation to and from a place of employment, one hundred dollars or more. Except as provided with respect to cross-collateral under section 537.3302, a seller may not otherwise take a security interest in property to secure the debt arising from a consumer credit sale.

2. With respect to a consumer lease, a lessor may not take a security interest in property to secure the debt arising from the lease. This subsection does not apply to a security deposit for a consumer lease or a consumer rental purchase agreement.

3. With respect to a supervised loan, a lender may not take a security interest, other than a purchase money security interest, in the clothing, one dining table and set of chairs, one refrigerator, one heating stove, one cooking stove, one radio, beds and bedding, one couch, two living room chairs, cooking utensils, or kitchenware used by the consumer, the consumer’s dependents, or the family with whom the consumer resides.

4. A security interest taken in violation of this section is void.

[C75, 77, 79, 81, §537.3301]

87 Acts, ch 80, §42

537.3302 Cross-collateral.

1. In addition to contracting for a security interest pursuant to the provisions on security in consumer credit transactions under section 537.3301, a seller in a consumer credit sale may secure the debt arising from the sale by contracting for a security interest in other property if as a result of a prior sale the seller has an existing security interest in the other property. The seller may also contract for a security interest in the property sold in the subsequent sale as security for the previous debt.

2. If the seller contracts for a security interest in other property pursuant to this section, the rate of finance charge thereafter on the aggregate unpaid balances so secured may not exceed that permitted if the balances so secured were consolidated pursuant to the provisions on finance charge on consolidation under section 537.2505. The seller has a reasonable time after so contracting to make any adjustments required by this section.

[C75, 77, 79, 81, §537.3302]

537.3303 Debt secured by cross-collateral.

1. If debts arising from two or more consumer credit sales, other than sales pursuant to open end credit, are secured by cross-collateral or consolidated into one debt payable on a single schedule of payments, and the debt is secured by security interests taken with respect to one or more of the sales, payments received by the seller after the taking of the cross-collateral or the consolidation are deemed, for the purpose of determining the amount of the debt secured by the various security interests, to have been first applied to the payment

of the debts arising from the sales first made. To the extent debts are paid according to this section, security interests in items of property terminate as the debt originally incurred with respect to each item is paid.

2. Payments received by the seller upon an open end credit account are deemed, for the purpose of determining the amount of the debt secured by the various security interests, to have been applied first to the payment of finance charges in the order of their entry to the account and then to the payment of debts in the order in which the entries to the account showing the debts were made.

3. If the debts consolidated arose from two or more sales made on the same day, payments received by the seller are deemed, for the purpose of determining the amount of the debt secured by the various security interests, to have been applied first to the payment of the smallest debt.

[C75, 77, 79, 81, §537.3303]

537.3304 Use of multiple agreements.

1. With respect to a sale or loan other than a supervised loan, a creditor may not use multiple agreements in what is in substance a single transaction, with intent to obtain a higher finance charge than would otherwise be permitted by the provisions of article 2 of this chapter.

2. With respect to a supervised loan, a lender may not use multiple agreements with intent to obtain a higher finance charge than would otherwise be permitted. For the purposes of this subsection, multiple agreements are used if a lender allows any person, or husband and wife, to become obligated in any way under more than one loan agreement with the lender or with a person related to the lender.

3. The excess amount of finance charge obtained in violation of this section is an excess charge for the purposes of the provisions on rights of parties in section 537.5201 and the provisions on civil actions by the administrator in section 537.6113.

[C35, §9438-f13; C39, §9438.13; C46, 50, 54, 58, 62, § 536.13(6); C66, 71, 73, §536.13(6), 536A.24; C75, 77, 79, 81, §537.3304]

537.3305 No assignment of earnings.

1. A creditor may not take an assignment of earnings of the consumer for payment or as security for payment of a debt arising out of a consumer credit transaction. An assignment of earnings in violation of this section is unenforceable by the assignee of the earnings and revocable by the consumer. This section does not prohibit a consumer from authorizing deductions in favor of a creditor if the authorization is revocable, the consumer is given a complete copy of the writing evidencing the authorization at the time the consumer signs it, and the writing contains on its face a conspicuous notice of the consumer's right to revoke the authorization.

2. A sale of unpaid earnings made in consideration of the payment of money to or for the account of the seller of the earnings is deemed to be a loan to the seller secured by an assignment of earnings.

[C24, 27, 31, §9427, 9428; C35, §9438-f17; C39, §9438.17; C46, 50, 54, 58, 62, 66, 71, 73, §536.17; C75, 77, 79, 81, §537.3305]

537.3306 Authorization to confess judgment prohibited.

Unless executed after default on a claim arising out of a consumer credit transaction, authorization for a judgment by confession on that claim pursuant to chapter 676 is void. Any other authorization by a consumer for any person to confess judgment on the claim, whenever executed, is void.

[C24, 27, 31, §9426; C35, §9438-f12; C39, §9438.12; C46, 50, 54, 58, 62, 66, 71, 73, §536.12; C75, 77, 79, 81, §537.3306]

537.3307 Certain negotiable instruments prohibited.

With respect to a consumer credit sale or consumer lease, the creditor may not take a negotiable instrument other than a check or credit union share draft dated not later than ten days after its issuance as evidence of the obligation of the consumer.

[C75, 77, 79, 81, §537.3307]

537.3308 Balloon payments.

1. Except as provided in subsection 2, if any scheduled payment of a consumer credit transaction is more than twice as large as the average of earlier scheduled payments, the consumer has the right to refinance the amount of that payment at the time it is due without penalty, as provided in section 537.2504. The terms of the refinancing shall be no less favorable to the consumer than the terms of the original transaction.

2. This section does not apply to any of the following:

- a. A consumer lease.
- b. A transaction pursuant to open end credit.
- c. A transaction to the extent that the payment schedule is adjusted to the seasonal or irregular income or scheduled payments of obligations of the consumer.
- d. A transaction of a class defined by rule of the administrator as not requiring for the protection of the consumer a right to refinance as provided in this section.
- e. A consumer loan in which the amount financed exceeds five thousand dollars and is secured by an interest in land.
- f. A consumer rental purchase agreement.
- g. A consumer loan secured by a certificate of title in a motor vehicle.

[C75, 77, 79, 81, §537.3308; 82 Acts, ch 1153, §17]

87 Acts, ch 80, §43; 2001 Acts, ch 21, §1

537.3309 Referral sales and leases.

A practice unlawful under section 714.16, subsection 2, paragraph “b”, if done in connection with a consumer credit sale or consumer lease, is a violation of this chapter for which the consumer has a cause of action under section 537.5201, subsection 1. The administrator has all powers granted under article 6, part 1, to enforce the provisions of section 714.16, subsection 2, paragraph “b”. If a consumer is induced by a violation of section 714.16, subsection 2, paragraph “b” to enter into a consumer credit sale or consumer lease, the agreement is unenforceable by the seller or lessor and the consumer, at the consumer’s option, in addition to other remedies, may rescind the agreement or retain the goods delivered and the benefit of any services performed, without any obligation to pay for them.

[C75, 77, 79, 81, §537.3309]

537.3310 Limitations on executory transactions.

1. In a consumer credit transaction, other than a consumer rental purchase agreement, if performance by a creditor is by delivery of goods, services, or both, in four or more installments, either on demand of the consumer or by prearranged scheduled performance, the consumer may cancel the obligation with respect to that part which has not been performed on the date of cancellation.

2. If the consumer exercises the right to cancel or, in any event, if the creditor attempts to exercise a right to accelerate, the creditor is entitled to recover only that part of the cash price and charges attributable to the part of the creditor’s obligation which has been performed.

3. Cancellation under this section shall be effective when the consumer mails or delivers a written notice of cancellation.

4. Notwithstanding an agreement to the contrary, a creditor may not exercise a right to accelerate beyond the amount set forth in subsection 2.

5. Subsections 1 through 4 do not apply to a membership camping contract which is subject to the requirements of chapter 557B.

[C75, 77, 79, 81, §537.3310]

87 Acts, ch 80, §44; 87 Acts, ch 181, §4

537.3311 Discrimination prohibited.

A creditor shall not refuse to enter into a consumer credit transaction or impose finance charges or other terms or conditions more onerous than those regularly extended by that creditor to consumers of similar economic backgrounds due to any of the following:

1. The age, color, creed, national origin, political affiliation, race, religion, sex, marital status, or disability of the consumer.
2. The consumer receives public assistance, social security benefits, pension benefits, or the like.
3. The exercise by the consumer of rights pursuant to this chapter or the federal Consumer Credit Protection Act, 15 U.S.C. § 1601 et seq.

[C75, 77, 79, 81, §537.3311]

2003 Acts, ch 54, §1

[P] See also §216.10

PART 4

LIMITATIONS ON CONSUMER'S LIABILITY

537.3401 Restriction on liability in consumer lease.

The obligation of a lessee upon expiration of a consumer lease may not exceed twice the average payment allocable to a monthly period under the lease. This limitation does not apply to charges for damages to the leased property or for other default.

[C75, 77, 79, 81, §537.3401]

537.3402 Limitation on default charges.

Except for reasonable expenses incurred in realizing on a security interest, the agreement with respect to a consumer credit transaction other than a consumer lease may not provide for any charges as a result of default by the consumer other than those authorized by this chapter. A provision in violation of this section is unenforceable.

[C75, 77, 79, 81, §537.3402]

537.3403 Card issuer subject to claims and defenses.

1. This section neither limits the liability of nor imposes liability on a card issuer as a manufacturer, supplier, seller, or lessor of property or services sold or leased pursuant to the credit card. This section may subject a card issuer to claims and defenses of a cardholder against a seller or lessor arising from sales or leases made pursuant to the credit card.

2. A card issuer is subject to claims and defenses of a cardholder against the seller or lessor arising from the sale or lease of property or services by a seller or lessor licensed, franchised, or permitted by the card issuer or a person related to the card issuer to do business under the trade name or designation of the card issuer or a person related to the card issuer, to the extent of the original amount owing to the card issuer with respect to the sale or lease of the property or services as to which the claim or defense arose.

3. Except as otherwise provided in subsection 2, a card issuer, including a lender credit card issuer, is subject to all claims and defenses of a cardholder against the seller or lessor arising from the sale or lease of property or services pursuant to the credit card only if all of the following apply:

- a. The original amount owing to the card issuer with respect to the sale or lease of the property or services as to which the claim or defense arose exceeds fifty dollars.
- b. The residence of the cardholder and the place where the sale or lease occurred are in the same state or within one hundred miles of each other.
- c. The cardholder has made a good faith attempt to obtain satisfaction from the seller or lessor with respect to the claim or defense.

4. Except as otherwise provided in subsection 2, a card issuer, including a lender credit card issuer, is subject to claims and defenses only to the extent of the amount owing to the card issuer with respect to the sale or lease of the property or services as to which the claim or

defense arose at the time the card issuer has notice of the claim or defense. Notice of the claim or defense may be given prior to the attempt to obtain satisfaction specified in subsection 3. Written notice is effective when mailed or delivered.

5. For the purpose of determining the amount owing to the card issuer with respect to the sale or lease upon an open end credit account, payments received for the account are deemed to have been first applied to the payment of finance charges in the order of their entry to the account and then to the payment of debts in the order in which the entries of the debts are made to the account.

6. Except as provided in section 537.1107, an agreement may not contain a provision to limit or waive the claims or defenses of a cardholder under this section. A provision in violation of this subsection is unenforceable.

[C75, 77, 79, 81, §537.3403]

537.3404 Assignee subject to claims and defenses.

1. With respect to a consumer credit sale or consumer lease, an assignee of the rights of the seller or lessor is subject to all claims and defenses of the consumer against the seller or lessor arising from the sale or lease of property or services, notwithstanding that the assignee is a holder in due course of a negotiable instrument issued in violation of the provisions prohibiting certain negotiable instruments in section 537.3307; unless the consumer has agreed in writing not to assert against an assignee a claim or defense arising out of such sale, and the consumer's contract has been assigned to an assignee not related to the seller who acquired the consumer's contract in good faith and for value and who gives the consumer notice of the assignment as provided in this subsection and who within thirty days after the mailing of the notice receives no written notice of the facts giving rise to the consumer's claim or defense. Such agreement not to assert a claim or defense is not valid if the assignee receives such written notice from the consumer within such thirty-day period. The notice of assignment shall be in writing and addressed to the consumer at the consumer's address as stated in the contract, identify the contract, describe the property purchased by the consumer, state the names of the seller and consumer, the name and address of the assignee, the amount payable by the consumer and the number, amounts and due dates of the installments, and contain a conspicuous notice to the consumer that the consumer has thirty days from the date of the mailing of the notice to the consumer within which to notify the assignee in writing of any claims or defenses the consumer may have against the seller and that if written notification of any such claims or defenses is not received by the assignee within such thirty-day period, the assignee will have the right to enforce the contract free of any claims or defenses the consumer may have against the seller. An assignee does not acquire a consumer's contract in good faith within the meaning of this subsection if the assignee has knowledge or, from the assignee's course of dealing with the seller or the assignee's records, notice of substantial complaints by other consumers of the seller's failure or refusal to perform the seller's contracts with them and of the seller's failure to remedy the seller's defaults within a reasonable time after the assignee notifies the seller of the complaints.

2. A claim or defense of a consumer specified in subsection 1 may be asserted against the assignee under this section only if the consumer has made a good faith attempt to obtain satisfaction from the seller or lessor with respect to the claim or defense, and only to the extent of the amount owing to the assignee with respect to the sale or lease of the property or services as to which the claim or defense arose, at the time the assignee has notice of the claim or defense. Notice of the claim or defense may be given prior to the attempt specified in this subsection. Written notice is effective when mailed or delivered.

3. For the purpose of determining the amount owing to the assignee with respect to the sale or lease:

a. Payments received by the assignee after the consolidation of two or more consumer credit sales, other than pursuant to open end credit, are deemed to have been first applied to the payment of the sales first made, and if the sales consolidated arose from sales made on the same day, payments are deemed to have been first applied to the smaller or smallest sale or sales.

b. Payments received upon an open end credit account are deemed to have been first applied to the payment of finance charges in the order of their entry to the account and then to the payment of debts in the order in which the entries of the debts are made to the account.

4. Except as provided in section 537.1107, an agreement may not contain a provision to limit or waive the claims or defenses of a consumer under this section. A provision in violation of this subsection is unenforceable.

[C75, 77, 79, 81, §537.3404]

537.3405 Lender subject to defenses arising from sales and leases.

1. A lender, other than the issuer of a lender credit card, who, with respect to a particular transaction, makes a consumer loan for the purpose of enabling a consumer to buy or lease from a particular seller or lessor property or services, is subject to all claims and defenses of the consumer against the seller or lessor arising from that sale or lease of the property or services if any of the following are applicable:

a. The lender knows that the seller or lessor arranged for a commission, brokerage, or referral fee, for the extension of credit by the lender.

b. The lender is a person related to the seller or lessor, unless the relationship is remote or is not a factor in the transaction.

c. The seller or lessor guarantees the loan or otherwise assumes the risk of loss by the lender upon the loan.

d. The lender directly supplies the seller or lessor with the contract document used by the consumer to evidence the loan, and the seller or lessor has knowledge of the credit terms and participates in the preparation of the document.

e. The loan is conditioned upon the consumer's purchase or lease of the property or services from the particular seller or lessor, but the lender's payment of proceeds of the loan to the seller or lessor does not in itself establish that the loan was so conditioned.

f. The lender otherwise knowingly participates with the seller in the sale. The fact that the lender takes a security interest in property sold in that sale, or makes the proceeds of the loan payable to the seller does not in itself constitute knowing participation in the sale.

2. A claim or defense of a consumer specified in subsection 1 may be asserted against the lender under this section only if the consumer has made a good faith attempt to obtain satisfaction from the seller or lessor with respect to the claim or defense and only to the extent of the amount owing to the lender with respect to the sale or lease of the property or services as to which the claim or defense arose at the time the lender has notice of the claim or defense. Notice of the claim or defense may be given prior to the attempt specified in this subsection. Written notice is effective when mailed or delivered.

3. For the purpose of determining the amount owing to the lender with respect to the sale or lease:

a. Payments received by the lender after the consolidation of two or more consumer loans, other than pursuant to open end credit, are deemed to have been first applied to the payment of the loans first made, and if the loans consolidated arose from loans made on the same day, payments are deemed to have been first applied to the smaller or smallest loan or loans.

b. Payments received upon an open end credit account are deemed to have been first applied to the payment of finance charges in the order of their entry to the account and then to the payment of debts in the order in which the entries of the debts are made to the account.

4. Except as provided in section 537.1107, an agreement may not contain a provision to limit or waive the claims or defenses of a consumer under this section. A provision in violation of this section is unenforceable.

[C75, 77, 79, 81, §537.3405]

PART 5

HOME SOLICITATION SALES

537.3501 Door-to-door sales.

In a consumer credit sale or a sale in which the goods or services are paid for in whole or in part by a lender credit card or a consumer loan in which the lender is subject to defenses arising from the sale under section 537.3405, a consumer has, in addition to all the rights and remedies provided by chapter 555A, a cause of action under section 537.5201, subsection 1, and the administrator has all powers granted under article 6, part 1, to enforce the provisions of chapter 555A.

[C75, 77, 79, 81, §537.3501]

PART 6

CONSUMER RENTAL PURCHASE AGREEMENTS

537.3601 Short title.

This part of article 3 may be known and may be cited as the “*Consumer Rental Purchase Agreement Act*”.

87 Acts, ch 80, §1

537.3602 Purposes — rules of construction.

1. This part shall be liberally construed and applied to promote its underlying purposes and policies.

2. The underlying purposes and policies of this part are to:

a. Define, simplify, and clarify the law governing consumer rental purchase agreements.
b. Provide certain disclosures to consumers who enter into consumer rental purchase agreements, and further consumer understanding of the terms of consumer rental purchase agreements.

c. Protect consumers against unfair practices.

d. Permit and encourage the development of fair and economically sound rental purchase practices.

e. Make the law on consumer rental purchase agreements, including administrative rules, more uniform among the various uniform consumer credit code jurisdictions.

3. A reference to a requirement imposed by this part includes a reference to a related rule of the administrator adopted pursuant to this chapter.

87 Acts, ch 80, §2

537.3603 Exclusions.

This part does not apply to, and an agreement which complies with this part is not governed by, the provisions regarding:

1. A consumer credit sale as defined in section 537.1301, subsection 13.
2. A consumer lease as defined in section 537.1301, subsection 14.
3. A consumer loan as defined in section 537.1301, subsection 15.
4. A lease or agreement which constitutes a “*credit sale*” as defined in 12 C.F.R. § 226.2(a16), and the Truth in Lending Act, 15 U.S.C. § 1602(g), or an agreement which constitutes a “*sale of goods*” under section 537.1301, subsection 38.

5. A lease which constitutes a consumer lease as defined in 12 C.F.R. § 213.2(a6).

6. A lease or agreement which constitutes a security interest as defined in section 554.1201, subsection 2.

87 Acts, ch 80, §3; 88 Acts, ch 1134, §97; 2007 Acts, ch 41, §41

537.3604 General definitions.

As used in this part, unless otherwise required by the context:

1. “*Administrator*” means the administrator as designated in section 537.6103.
 2. “*Advertisement*” means a commercial message in any medium, including signs, window displays, and price tags, that promotes, directly or indirectly, a consumer rental purchase agreement.
 3. “*Cash price*” means the price at which the lessor in the ordinary course of business would offer to sell the personal property to the lessee for cash on the date of the consumer rental purchase agreement.
 4. “*Consummation*” means the time at which the lessee enters into a consumer rental purchase agreement.
 5. “*Lessee*” means a natural person who rents personal property under a consumer rental purchase agreement for personal, family, or household use.
 6. “*Lessor*” means a person who, in the ordinary course of business, regularly leases, offers to lease, or arranges for the leasing of property under a consumer rental purchase agreement.
 7. “*Personal property*” means any property that is not real property under the laws of this state when it is made available for a consumer rental purchase agreement. For the purposes of this part, “*personal property*” does not include a motor vehicle, a manufactured home, or a manufactured or mobile home as defined in section 321.1.
 8. “*Consumer rental purchase agreement*” means an agreement for the use of personal property in which all of the following are applicable:
 - a. The lessor is regularly engaged in the rental purchase business.
 - b. The agreement is for an initial period of four months or less, whether or not there is any obligation beyond the initial period, that is automatically renewable with each payment and that permits the lessee to become the owner of the property.
 - c. The lessee is a person other than an organization.
 - d. The lessee takes under the consumer rental purchase agreement primarily for a personal, family, or household purpose.
 - e. The amount payable under the consumer rental purchase agreement does not exceed twenty-five thousand dollars.
- 87 Acts, ch 80, §4; 2008 Acts, ch 1025, §2

537.3605 Disclosures.

In a consumer rental purchase agreement, the lessor shall disclose the following items, as applicable:

1. The total of scheduled payments accompanied by an explanation that this term means the “*total dollar amount of lease payments you will have to make to acquire ownership*”.
 2. By item, the total number, amounts, and timing of all lease payments and other charges including taxes or official fees paid to or through the lessor which are necessary to acquire ownership of the property.
 3. Any initial or advance payment such as a delivery charge, security deposit, or trade-in allowance.
 4. A statement that the lessee will not own the property until the lessee has made the total of payments necessary to acquire ownership of the property.
 5. A statement that the total of payments does not include additional charges such as late payment charges, and a separate listing and explanation of these charges as applicable.
 6. If applicable, a statement that the lessee is responsible for the fair market value of the property if and as of the time it is lost, stolen, damaged, or destroyed.
 7. A description of the goods or merchandise including model numbers as applicable and a statement indicating whether the property is new or used. It is not a violation of this subsection to indicate that the property is used if it is actually new.
 8. A statement that at any time after the first periodic payment is made, the lessee may acquire ownership of the property by exercising the option to purchase the property, and at what price, or by what formula or method the purchase price will be determined. It is not a violation of this subsection for the lessor and the lessee to agree in writing to allow the lessee to acquire ownership of the property for less than the amounts referred to in this subsection.
 9. The cash price of the merchandise.
- 87 Acts, ch 80, §5; 89 Acts, ch 128, §1

537.3606 Form requirements.

1. The disclosure information required by section 537.3605 and this section shall be disclosed in a consumer rental purchase agreement, and shall meet the following requirements:

- a. Be made clearly and conspicuously with items appearing in logical order and segregated as appropriate for readability and clarity.
- b. Be made in writing.
- c. Except as provided in subsection 2 or in rules adopted by the administrator, need not be contained in a single writing or made in the order set forth in section 537.3605.
- d. May be supplemented by additional information or explanations supplied by the lessor, but none shall be stated, used or placed so as to mislead or confuse the lessee, or to contradict, obscure, or detract attention from the information required by section 537.3605, and so long as the additional information or explanations do not have the effect of circumventing, evading, or unduly complicating the information required to be disclosed by section 537.3605.

2. The lessor shall disclose all information required by section 537.3605 before the consumer rental purchase agreement is consummated. These disclosures shall be made on the face of the writing evidencing the consumer rental purchase agreement.

3. Before any payment is due, the lessor shall furnish the lessee with an exact copy of each consumer rental purchase agreement, which shall be signed by the lessee and which shall evidence the lessee's agreement. If there is more than one lessee in a consumer rental purchase agreement, delivery of a copy of the consumer rental purchase agreement to one of the lessees constitutes compliance with this part; however, a lessee not signing the agreement is not liable under it.

4. The administrator may adopt by rule requirements for the order, acknowledgment by initialing, and conspicuousness of the disclosures set forth in section 537.3605. These rules may allow these disclosures to be made in accordance with model forms prepared by the administrator.

5. The terms of the consumer rental purchase agreement, except as otherwise provided in this part, shall be set forth in not less than eight point standard type, or such similar type as prescribed in rules adopted by the administrator.

6. Every consumer rental purchase agreement shall contain immediately above or adjacent to the place for the signature of the lessee, a clear, conspicuous, printed or typewritten notice in substantially the following language:

NOTICE TO LESSEE — READ BEFORE SIGNING

a. DO NOT SIGN THIS BEFORE YOU READ THE ENTIRE AGREEMENT INCLUDING ANY WRITING ON THE REVERSE SIDE, EVEN IF OTHERWISE ADVISED.

b. DO NOT SIGN THIS IF IT CONTAINS ANY BLANK SPACES.

c. YOU ARE ENTITLED TO AN EXACT COPY OF ANY AGREEMENT YOU SIGN.

d. YOU HAVE THE RIGHT TO EXERCISE ANY EARLY BUY-OUT OPTION AS PROVIDED IN THIS AGREEMENT. EXERCISE OF THIS OPTION MAY RESULT IN A REDUCTION OF YOUR TOTAL COST TO ACQUIRE OWNERSHIP UNDER THIS AGREEMENT.

e. IF YOU ELECT TO MAKE WEEKLY RATHER THAN MONTHLY PAYMENTS AND EXERCISE YOUR PURCHASE OPTION, YOU MAY PAY MORE FOR THE LEASED PROPERTY.

7. The notice described in subsection 6 shall be in boldface, ten point type.

87 Acts, ch 80, §6

537.3607 Receipts.

The lessor shall furnish the lessee, without request, an itemized written receipt for each payment in cash, or any other time the method of payment itself does not provide evidence of payment.

87 Acts, ch 80, §7

537.3608 Acquiring ownership.

1. A lessor shall not offer a consumer rental purchase agreement in which fifty percent of all lease payments necessary to acquire ownership of the leased property exceeds the cash price of the leased property. When fifty percent of all lease payments made by a lessee equals the cash price of the property disclosed to the lessee pursuant to section 537.3605, subsection 9, the lessee shall acquire ownership of the leased property and the agreement shall terminate.

2. At any time after tendering an initial lease payment, a lessee may acquire ownership of the property that is the subject of the consumer rental purchase agreement by tendering an amount equal to the amount by which the cash price of the leased property exceeds fifty percent of all lease payments made by the lessee.

3. It is not a violation of this section for the lessor and the lessee to agree in writing to allow the lessee to acquire ownership of the property for less than the amounts referred to in this section.

87 Acts, ch 80, §8; 89 Acts, ch 128, §2

537.3609 Renegotiation.

1. A renegotiation occurs when an existing consumer rental purchase agreement is satisfied and replaced by a new consumer rental purchase agreement undertaken by the same lessor and lessee. A renegotiation is a new lease requiring new disclosures.

2. However, the following events are not renegotiations:

a. The addition or return of property in a multi-item agreement or the substitution of the leased property, if in either case the lease payment is not changed by more than twenty-five percent.

b. A deferral or extension of one or more lease payments, or portions of a lease payment.

c. A reduction in charges in the agreement.

d. A lease or agreement involved in a court proceeding.

87 Acts, ch 80, §9

537.3610 Balloon payments prohibited.

A lessee shall not be required, as a condition to acquiring ownership, to make a payment that is more than twice the amount of a regular rental payment, or to pay lease payments totaling more than the cost to acquire ownership as disclosed pursuant to section 537.3605. This section does not apply to payments made pursuant to section 537.3608, 537.3612, or 537.3619.

87 Acts, ch 80, §10

537.3611 Prohibited charges.

A lessor shall not make a charge for any of the following:

1. Any insurance whether in connection with the transaction or otherwise, except that a charge may be made for property insurance on the leased property if the charge is clearly disclosed as optional and all other requirements of section 537.2501, subsection 2, paragraph "a", are met.

2. A penalty for early termination of a consumer rental purchase agreement or for the return of an item at any point, except for those charges authorized by sections 537.3612 and 537.3613.

3. Payment by a cosigner of the consumer rental purchase agreement of any fees or charges which could not be imposed upon the lessee as part of the consumer rental purchase agreement.

87 Acts, ch 80, §11

537.3612 Additional charges.

1. In a consumer rental purchase agreement, the lessor may contract for and receive an initial nonrefundable administrative fee not to exceed ten dollars. If a security deposit is required by the lessor, the amount and conditions under which it is returned must be disclosed with the disclosures required by sections 537.3605 and 537.3606.

2. In a consumer rental purchase agreement, the lessor may contract for and receive a delivery charge not to exceed ten dollars or, in the case of a consumer rental purchase agreement covering more than five items, a delivery charge not to exceed twenty-five dollars. A delivery charge may be assessed only if the lessor actually delivers the items to the lessee's dwelling and the delivery charge is disclosed with the disclosures required by sections 537.3605 and 537.3606. The delivery charge may be assessed in lieu of and not in addition to the initial administrative charge in subsection 1 of this section.

3. In a consumer rental purchase agreement, a lessor may contract for and receive a charge for picking up payments from the lessee if the lessor is required or requested to visit the lessee's dwelling to pick up a payment. In a consumer rental purchase agreement with payment or renewal dates which are more frequent than monthly, this charge shall not be assessed more than three times in any three-month period. In consumer rental purchase agreements with payments or renewal options which are at least monthly, this charge shall not be assessed more than three times in any six-month period. A charge assessed pursuant to this subsection shall not exceed seven dollars. This charge is in lieu of any delinquency charge assessed for the applicable payment period.

4. In a consumer rental purchase agreement, the parties may contract for late charges or delinquency fees as follows:

a. For consumer rental purchase agreements with monthly renewal dates, a late charge not exceeding five dollars may be assessed on any payment not made within five business days after either payment is due or the return of the property is required.

b. For consumer rental purchase agreements with weekly or biweekly renewal dates, a late charge not exceeding three dollars may be assessed on any payments not made within three business days after either payment is due or the return of the property is required.

A late charge on a consumer rental purchase agreement may be collected only once on any accrued payment, no matter how long it remains unpaid. A late charge may be collected at the time it accrues or at any time thereafter. A late charge shall not be assessed against a payment that is timely made, even though an earlier late charge has not been paid in full.

87 Acts, ch 80, §12

537.3613 Reinstatement fees.

A reinstatement fee as provided for in section 537.3616 shall not equal more than the outstanding balance of any missed payments and delinquency charges on those missed payments plus an additional reinstatement fee that shall not exceed five dollars.

87 Acts, ch 80, §13

537.3614 Taxes and official fees.

1. If the amount is separately disclosed in the agreement, the lessor may require the lessee to pay all applicable state and county sales, use, and personal property taxes levied as a result of the execution of the consumer rental purchase agreement, provided that the lessor pays the full amount of these taxes to the appropriate authorities.

2. If the amount is separately disclosed in the agreement, the lessor may contract for and receive from the lessee an amount equal to all official fees required to be paid under the consumer rental purchase agreement provided that the lessor pays the full amount of these fees to the appropriate authorities.

87 Acts, ch 80, §14

537.3615 Advertising.

1. An advertisement for a consumer rental purchase agreement shall not state or imply that a specific item is available at specific amounts or terms unless the lessor usually and customarily offers or will offer that item at those amounts or terms.

2. If an advertisement for a consumer rental purchase agreement refers to or states the amount of any payment, or the right to acquire ownership, for a specific item, the advertisement must also clearly and conspicuously state the following terms as applicable:

- a. That the transaction advertised is a consumer rental purchase agreement.
- b. The total of payments necessary to acquire ownership.
- c. That the lessee will not own the property until the total amount necessary to acquire ownership is paid in full or by prepayment as provided for by law.

3. Notwithstanding the requirements of subsection 1, if the advertisement is published by way of radio announcement or on a roadside billboard, the lessor need only make the disclosures required by subsection 2, paragraphs “a” and “c”.

4. With respect to any matters specifically governed by the advertising provisions of the federal Consumer Credit Protection Act, compliance with that Act satisfies the requirements of this section.

5. This section does not apply to the owner or personnel, as such, of any medium in which an advertisement appears or through which it is disseminated.

87 Acts, ch 80, §15

537.3616 Lessee’s reinstatement rights.

1. A lessee who fails to make timely rental payments has the right to reinstate the original consumer rental purchase agreement without losing any rights or options previously acquired under the consumer rental purchase agreement if both of the following apply:

a. Subsequent to having failed to make a timely rental payment, the lessee has surrendered the property to the lessor, if and when requested by the lessor.

b. Not more than sixty days has passed since the lessee has returned the property.

2. As a condition precedent to reinstatement of a consumer rental purchase agreement, a lessor may charge the outstanding balance of any accrued payments and delinquency charges, a reinstatement fee, and the delivery charges allowable by section 537.3612, subsection 2, if redelivery of the item is necessary.

3. If reinstatement occurs pursuant to this section, the lessor shall provide the lessee with the same item, if available, leased by the lessee prior to reinstatement. If the same item is not available, a substitute item of comparable worth, quality, and condition may be used. If a substitute item is provided, the lessor shall provide the lessee with all the information required by section 537.3605.

87 Acts, ch 80, §16

537.3617 Unconscionability.

Unconscionability in consumer rental purchase agreements is governed by section 537.5108.

87 Acts, ch 80, §17

537.3618 Default.

An agreement of the parties to a consumer rental purchase agreement with respect to default on the part of the lessee is enforceable only to the extent that one of the following apply:

1. The lessee both fails to renew an agreement and also fails to return the rented property or make arrangements for its return as provided by the agreement.

2. The prospect of payment, performance, or return of the property is materially impaired due to a breach of the consumer rental purchase agreement; the burden of establishing the prospect of material impairment is on the lessor.

87 Acts, ch 80, §18

537.3619 Cure of default.

1. In a consumer rental purchase agreement, after a lessee has been in default for three business days and has not voluntarily surrendered possession of the rented property, a lessor may give the lessee the notice provided in subsection 3 when the consumer has the right

to cure a default. A lessor gives the notice to the lessee under this section when the lessor delivers notice to the lessee or mails the notice to the last known address of the lessee.

2. For the purpose of this section, there is no right to cure and no limitation on the lessor's rights with respect to a default that occurs within twelve months after an earlier default as to which a lessor has given a proper notice of the lessee's right to cure.

3. The notice of right to cure must be in writing and conspicuously state all of the following:

a. The name, address, and telephone number of the lessor to whom payment is to be made.

b. A brief identification of the transaction.

c. The lessee's right to cure the default.

d. The amount of payment and date by which payment must be made to cure the default. A notice in substantially the following form complies with this subsection:

THE NAME, ADDRESS, & TELEPHONE
NUMBER OF THE LESSOR
ACCOUNT NUMBER, IF ANY
BRIEF IDENTIFICATION OF TRANSACTION

() is the last date for payment, () is the amount now due. You have failed to renew your rental purchase agreement(s). If you pay the amount now due (above) by the last date for payment (above), you may continue with the agreement as though you had renewed on time. If you do not pay by that date, we may exercise our rights under the law. If you are late again during the next twelve months of your agreement, in either returning the property or renewing your agreement, we may exercise our rights without sending you another notice like this one. If you have questions, you may write or telephone the lessor promptly.

4. With respect to a consumer rental purchase agreement, except as provided in subsection 5, after a default consisting of the lessee's failure to renew and failure to return the property, a lessor, because of that default, may not instigate court action to recover the rented property until five business days after the notice of the lessee's right to cure is given. In the case of an agreement with weekly or biweekly renewal dates, such action shall not be taken until three business days after the notice of the lessee's right to cure is given.

5. With respect to defaults on the same consumer rental purchase agreement and subject to subsection 4, after a lessor has once given a proper notice of the lessee's right to cure, this section does not give the consumer a right to cure or impose any additional limitations beyond those otherwise imposed by this part on the lessor's right to proceed against the lessee or the lessor's right to recover the property.

6. Until expiration of the minimum applicable periods contained in subsection 4 after notice is given, the lessee may cure all defaults consisting of failure to renew and failure to return the property by tendering the amount of all unpaid sums due at the time of the tender plus any unpaid delinquency charges or other charges authorized by section 537.3616.

7. This section and the provisions on limitations of agreements do not prohibit a lessee from voluntarily surrendering possession of the rented property, and the lessor from enforcing any past due obligation which the lessee may have at any time after default. However, in an enforcement proceeding, the lessor shall affirmatively plead and prove either that the notice to cure is not required or that the lessor has given the required notice, but the failure to so plead does not invalidate any action taken by the lessor that is lawful and if the lessor has rightfully repossessed any property the repossession is not conversion.

8. A repossession of rented property in violation of this section is void.

87 Acts, ch 80, §19

537.3620 Willful and intentional violations.

A person who willfully and intentionally violates a provision of this part is guilty of a serious misdemeanor.

87 Acts, ch 80, §20

537.3621 Damages.

In case of a violation of a provision of this part with respect to a consumer rental purchase agreement, or a violation of the Iowa debt collection practices Act, article 7 of this chapter, where a debt arises in connection with a consumer rental purchase agreement, the lessee in the agreement may recover from the person committing the violation, or may set off or counterclaim in an action by that person, actual damages, with a minimum recovery of three hundred dollars or twenty-five percent of the total cost to acquire ownership under the consumer rental purchase agreement, whichever is greater; attorney fees; and court costs.

87 Acts, ch 80, §21; 89 Acts, ch 128, §3

537.3622 Effect of correction.

Notwithstanding sections 537.3620 and 537.3621, a failure to comply with a provision of this part which is due to a bona fide error may be corrected within thirty days after the date of execution of the consumer rental purchase agreement by the lessee. If so corrected, neither the lessor nor any holder is subject to penalty under this section if, where appropriate, a new written agreement and disclosures are provided to the lessee and any excess charges are refunded to the lessee.

87 Acts, ch 80, §22

537.3623 Statute of limitations.

An action shall not be brought under this part more than two years after the occurrence of the alleged violation.

87 Acts, ch 80, §23

537.3624 Enforcement.

1. The provisions of this part are subject to the powers and functions of the administrator as provided in article 6 of this chapter and to the debt collection practices as provided in article 7 of this chapter. However, section 537.6113, subsection 2, does not apply to violations of this part.

2. If a court finds in an action brought by the administrator pursuant to section 537.6113 that it is proven that a lessor has intentionally acted in bad faith in its performance under this part, the lessor is subject to a civil penalty of not less than one hundred dollars nor more than one thousand dollars for each violation. However, no more than one penalty may be imposed in any one action against a lessor for repeated violations of the same provision. A civil penalty pursuant to this subsection shall not be imposed for a violation of this part occurring more than two years before the action is brought, or for making unconscionable agreements or engaging in a course of fraudulent or unconscionable conduct.

87 Acts, ch 80, §24

ARTICLE 4

INSURANCE

537.4101 Scope — excess charges.

1. This article applies to insurance provided in relation to a consumer credit transaction.

2. A charge for insurance in excess of the rates promulgated by the commissioner of insurance, or otherwise made in violation of the law, including this chapter, or the rules promulgated by the commissioner of insurance, is an excess charge for purposes of

determining rights of parties under section 537.5201, and authority of the administrator to bring civil action under section 537.6113.

[C75, 77, 79, 81, §537.4101]

ARTICLE 5

REMEDIES AND PENALTIES

PART 1

LIMITATIONS ON CREDITORS' REMEDIES

537.5101 Short title.

This article shall be known and may be cited as the “*Iowa Consumer Credit Code — Remedies and Penalties*”.

[C75, 77, 79, 81, §537.5101]

537.5102 Scope.

This part applies to actions or other proceedings to enforce rights arising from consumer credit transactions, to extortionate or unlawful extensions of credit, and to unconscionability.

[C75, 77, 79, 81, §537.5102]

537.5103 Creditor's obligations on repossession — restriction on deficiency judgments.

1. This section applies to a consumer credit sale of goods or services and a consumer loan. A consumer is not liable for a deficiency unless the creditor has disposed of repossessed or surrendered goods in good faith and in a commercially reasonable manner.

2. If the seller repossesses or voluntarily accepts surrender either of goods which were the subject of the sale and in which the seller has a security interest, or of goods which were not the subject of the sale but in which the seller has a security interest to secure a debt arising from a sale of goods or services or a combined sale of goods and services, the seller's duty to dispose of the collateral is governed by the provisions on disposition of collateral in chapter 554, article 9, part 6.

3. If a lender takes possession or voluntarily accepts surrender of goods in which the lender has a security interest to secure a debt arising from a consumer loan, the lender's duty to dispose of the collateral is governed by the provisions on disposition of collateral in chapter 554, article 9, part 6.

[C75, 77, 79, 81, §537.5103]

2000 Acts, ch 1149, §171, 187

537.5104 No garnishment before judgment.

Prior to entry of judgment in an action against the consumer arising from a consumer credit transaction, the creditor may not attach unpaid earnings of the consumer, or earnings deposited in a financial institution by the consumer, by garnishment, attachment, or proceedings under chapter 630.

[C75, 77, 79, 81, §537.5104]

537.5105 Limitation on garnishment.

1. For the purposes of this part:

a. “*Disposable earnings*” means that part of the earnings of an individual remaining after the deduction from those earnings of amounts required by law to be withheld or assigned.

b. “*Garnishment*” means any legal or equitable procedure through which the earnings of an individual are required to be withheld for payment of a debt.

2. a. In addition to the provisions of section 642.21, the maximum part of the aggregate disposable earnings of an individual for any workweek which is subjected to garnishment to enforce payment of a judgment arising from a consumer credit transaction may not exceed

the lesser of twenty-five percent of the individual's disposable earnings for that week, or the amount by which the individual's disposable earnings for that week exceed forty times the federal minimum hourly wage prescribed by the Fair Labor Standards Act of 1938, 29 U.S.C. § 206(a)(1), in effect at the time the earnings are payable.

b. In the case of earnings for a pay period other than a week, the administrator shall prescribe by rule a multiple of the federal minimum hourly wage equivalent in effect to that set forth for a pay period of a week.

3. No court may make, execute, or enforce an order or process in violation of this section.

4. At any time after the entry of a judgment in favor of a creditor in an action against a consumer for debt arising from a consumer credit transaction, the consumer may file with the court a verified application for an order exempting from garnishment pursuant to that judgment for an appropriate period of time a greater portion or all of the consumer's aggregate disposable earnings for a workweek or other applicable pay period than is provided for in subsection 2. The application shall designate the portion of the consumer's earnings which are not exempt from garnishment under this section and other law, shall specify the period of time for which the additional exemption is sought, shall describe the judgment with respect to which the application is made, and shall state that the designated portion in addition to earnings that are exempt by law is necessary for the maintenance of the consumer or a family supported wholly or partly by the earnings. Upon the filing of a sufficient application under this subsection, the court may issue any temporary order staying enforcement of the judgment by garnishment that may be necessary under the circumstances, shall set a hearing on the application not less than five nor more than ten days from the date of the filing of the application, and shall cause notice of the application and the hearing date to be served on the judgment creditor or the judgment creditor's attorney of record. At the hearing, if it appears to the court that all or any portion of the earnings sought to be additionally exempted are necessary for the maintenance of the consumer or a family supported wholly or partly by the earnings of the consumer for all or any part of the time requested in the application, the court shall issue an order granting the application to that extent, otherwise it shall deny the application. The order is subject to modification or vacation upon the further application of any party to it upon a showing of changed circumstances after a hearing upon notice to all interested parties.

[C75, 77, 79, 81, §537.5105]

2010 Acts, ch 1061, §70

[T] Subsection 2, unnumbered paragraph 1 amended and editorially designated as paragraph a

[T] Subsection 2, unnumbered paragraph 2 editorially designated as paragraph b

537.5106 Garnishment.

The administrator has all powers granted under article 6, part 1, to enforce the provisions of section 642.21, in relation to a garnishment arising from a consumer credit transaction.

[C75, 77, 79, 81, §537.5106]

537.5107 Extortionate or unlawful extensions of credit.

If it is the understanding of the creditor and the debtor at the time an extension of credit is made that delay in making repayment or failure to make repayment could result in the use of violence or other criminal means to cause harm to the person, reputation or property of any person, the repayment of the extension of credit is unenforceable through civil judicial processes against the consumer.

[C75, 77, 79, 81, §537.5107]

537.5108 Unconscionability — inducement by unconscionable conduct — unconscionable debt collection.

1. With respect to a transaction that is, gives rise to, or leads the debtor to believe it will give rise to a consumer credit transaction, in an action other than a class action, if the court as a matter of law finds the agreement or transaction to have been unconscionable at the time it was made, or to have been induced by unconscionable conduct, the court may refuse to enforce the agreement, or if the court finds any term or part of the agreement or transaction to have been unconscionable at the time it was made, the court may refuse to enforce the

agreement, or may enforce the remainder of the agreement without the unconscionable term or part, or may so limit the application of any unconscionable term or part as to avoid any unconscionable result.

2. With respect to a consumer credit transaction, or a transaction which would have been a consumer credit transaction if a finance charge was made or the obligation was payable in installments, if the court as a matter of law finds in an action other than a class action, that a person has engaged in, is engaging in, or is likely to engage in unconscionable conduct in collecting a debt arising from that transaction, the court may grant an injunction and award the consumer any actual damages the consumer sustained.

3. If it is claimed or appears to the court that the agreement or transaction or any term or part of it may be unconscionable, or that a person has engaged in, is engaging in, or is likely to engage in unconscionable conduct in collecting a debt, the parties shall be afforded a reasonable opportunity to present evidence as to the setting, purpose, and effect of the agreement or transaction or term or part thereof, or of the conduct, to aid the court in making the determination.

4. In applying subsection 1, consideration shall be given to each of the following factors, among others, as applicable:

a. Belief by the seller, lessor, or lender at the time a transaction is entered into that there is no reasonable probability of payment in full of the obligation by the consumer or debtor. However, the rental renewals necessary to acquire ownership in a consumer rental purchase agreement shall not be construed to be the obligation contemplated in this subsection if the consumer may terminate the agreement without penalty at any time. As used in this paragraph, "*obligation*" means the initial periodic lease payments and any other additional advance payments required at the consummation of the transaction.

b. In the case of a consumer credit sale, consumer lease, or consumer rental purchase agreement, knowledge by the seller or lessor at the time of the sale or lease of the inability of the consumer to receive substantial benefits from the property or services sold or leased.

c. In the case of a consumer credit sale, consumer lease, or consumer rental purchase agreement, gross disparity between the price of the property or services sold or leased and the value of the property or services measured by the price at which similar property or services are readily obtainable in consumer credit transactions by like consumers.

d. The fact that the creditor contracted for or received separate charges for insurance with respect to a consumer credit sale or consumer loan with the effect of making the sale or loan, considered as a whole, unconscionable.

e. The fact that the seller, lessor or lender has knowingly taken advantage of the inability of the consumer or debtor reasonably to protect the consumer's or debtor's interests by reason of physical or mental infirmities, ignorance, illiteracy or inability to understand the language of the agreement, or similar factors.

f. The fact that the seller, lessor or lender has engaged in conduct with knowledge or reason to know that like conduct has been restrained or enjoined by a court in a civil action by the administrator against any person pursuant to the provisions on injunctions against fraudulent or unconscionable agreements or conduct in section 537.6111.

5. In applying subsection 2, violations of section 537.7103 shall be considered, among other factors, as applicable.

6. If in an action in which unconscionability is claimed the court finds unconscionability pursuant to subsection 1 or 2, the court shall award reasonable fees to the attorney for the consumer or debtor. If the court does not find unconscionability and the consumer or debtor claiming unconscionability has brought or maintained an action the consumer or debtor knew to be groundless, the court shall award reasonable fees to the attorney for the party against whom the claim is made. Reasonable attorney's fees shall be determined by the value of the time reasonably expended by the attorney on the unconscionability issue and not by the amount of the recovery on behalf of the prevailing party.

7. The remedies of this section are in addition to remedies otherwise available for the same conduct under law other than this chapter, but no double recovery of actual damages may be had.

8. For the purpose of this section, a charge or practice expressly permitted by this chapter is not in itself unconscionable.

[C75, 77, 79, 81, §537.5108]

87 Acts, ch 80, §45 – 47

537.5109 Default.

“Default” with respect to a consumer credit transaction and for the purposes of this article, means either of the following, if without justification under any law:

1. Failure to make a payment within ten days of the time required by agreement, or in a consumer rental purchase agreement, failure to renew an agreement and failure to return the rented property or make arrangements for its return as provided by the agreement.

2. Failure to observe any other covenant of the transaction, breach of which materially impairs the condition, value or protection of or the creditor’s right in any collateral securing the transaction, or materially impairs the consumer’s prospect to pay amounts due under the transaction. The burden of establishing material impairment is on the creditor.

[C75, 77, 79, 81, §537.5109]

87 Acts, ch 80, §48

537.5110 Cure of default.

1. Notwithstanding any term or agreement to the contrary, the obligation of a consumer in a consumer credit transaction is enforceable by a creditor only after compliance with this section, except that in a consumer rental purchase agreement, default is governed by section 537.3618.

2. A creditor who believes in good faith that a consumer is in default may give the consumer written notice of the alleged default, and, if the consumer has a right to cure the default, shall give the consumer the notice of right to cure provided in section 537.5111 before commencing any legal action in any court on an obligation of the consumer and before repossessing collateral. However, this subsection and subsection 4 do not require a creditor to give notice of right to cure prior to the filing of a petition by a creditor seeking to enforce the consumer’s obligation in which attachment under chapter 639 is sought upon any of the grounds specified in section 639.3, subsections 3 to 12.

When property is attached without the giving of notice of right to cure as permitted by this subsection, the creditor immediately shall give notice of the attachment to the consumer in the same manner as prescribed by the rules of civil procedure for service of an original notice. The notice shall advise the consumer that the attachment may be discharged by the filing of a bond as provided in sections 639.42 and 639.45, or by the filing of a motion with the court to discharge the attachment pursuant to section 639.63. The notice required by this paragraph is in lieu of the notice requirements of sections 639.31 and 639.33.

When a motion is filed to discharge an attachment made without the giving of a prior notice of right to cure, the court shall hear the motion within three days of the filing of the motion to discharge. If the court finds that the attachment should not have been issued or should not have been levied on all or any part of the property held, the attachment shall be discharged in whole or in part and property wrongfully attached shall be returned to the consumer.

If the court finds that there was no probable cause to believe the grounds upon which the attachment was issued, the consumer may be awarded damages plus reasonable attorney’s fees to be determined by the court.

3. A consumer has a right to cure the default unless, in other than an insurance premium loan transaction, the creditor has given the consumer a proper notice of right to cure with respect to a prior default which occurred within three hundred sixty-five days of the present default, or the consumer has voluntarily surrendered possession of goods that are collateral and the creditor has accepted them in full satisfaction of any debt owing on the transaction in default.

4. If the consumer has a right to cure a default:

a. A creditor shall not accelerate the maturity of the unpaid balance of the obligation, demand or take possession of collateral, otherwise than by accepting a voluntary surrender

of it, or otherwise attempt to enforce the obligation until twenty days after a proper notice of right to cure is given.

b. With respect to an insurance premium loan, a creditor shall not give notice of cancellation as provided in subsection 6 until thirteen days after a proper notice of right to cure is given.

c. Until the expiration of the minimum applicable period after the notice is given, the consumer may cure the default by tendering either the amount of all unpaid installments due at the time of the tender, without acceleration, plus any unpaid delinquency or deferral charges, or the amount stated in the notice of right to cure, whichever is less, or by tendering any performance necessary to cure any default other than nonpayment of amounts due, which is described in the notice of right to cure. The act of curing a default restores to the consumer the consumer's rights under the agreement as though no default had occurred, except as provided in subsection 3.

5. This section and the provisions on waiver, agreements to forego rights, and settlement of claims under section 537.1107 do not prohibit a consumer from voluntarily surrendering possession of goods which are collateral and do not prohibit the creditor from thereafter enforcing the creditor's security interest in the goods at any time after default.

6. If a default on an insurance premium loan is not cured, the lender may give notice of cancellation of each insurance policy or contract to be canceled. If given, the notice of cancellation shall be in writing and given to the insurer that issued the policy or contract and to the insured. The insurer, within two business days after receipt of the notice of cancellation together with a copy of the insurance premium loan agreement if not previously given to the insurer, shall give any notice of cancellation required by the policy or contract or by law and, within ten business days after the effective date of the cancellation, pay to the lender any premium unearned on the policy or contracts as of that effective date. Within ten business days after receipt of the unearned premium, the lender shall pay to the consumer indebted upon the insurance premium loan any excess of the unearned premium received over the amount owing by the consumer upon the insurance premium loan.

7. If a creditor in a consumer credit transaction commences an action for money judgment prior to giving the customer notice of right to cure as required by this section and fails to follow the procedures set out in this section, the court shall dismiss the action without prejudice. If the action was commenced as a small claim under chapter 631, the creditor shall not be found to be in violation of this section for purposes of section 537.5201 and the penalties provided in that section shall not apply if the creditor proves by a preponderance of the evidence that the creditor did not at the time of the violation have either knowledge or reason to know of the requirements of this section, and for this purpose the court shall consider all relevant evidence, including but not limited to the education or experience of the creditor with respect to the collection of debts arising from consumer credit transactions and any representation of the creditor by legal counsel and any legal advice rendered to the creditor with respect to the collection of debts arising from consumer credit transactions.

[C75, 77, 79, 81, §537.5110; 82 Acts, ch 1025, §1, 2]

87 Acts, ch 80, §49

537.5111 Notice of right to cure.

1. The notice of right to cure shall be in writing and shall conspicuously state the name, address, and telephone number of the creditor to which payment is to be made, a brief identification of the credit transaction and of the consumer's right to cure the default, a statement of the nature of the right to cure the default, a statement of the nature of the alleged default, a statement of the total payment, including an itemization of any delinquency or deferral charges, or other performance necessary to cure the alleged default, and the exact date by which the amount must be paid or performance tendered.

2. Except as provided in subsection 4, a notice in substantially the following form complies with this section:

.....
(name, address, and telephone number of creditor)

.....
(account number, if any)

.....
(brief identification of credit transaction)

You are now in default on this credit transaction. You have a right to correct this default until (date). If you do so, you may continue with the contract as though you did not default. Your default consists of

.....
(describe default alleged)

Correction of the default: Before, (date)

.....
(describe the acts necessary for cure)

If you do not correct your default by the date stated above, we may exercise rights against you under the law.

If you default again in the next year, we may exercise our rights without sending you another notice like this one. If you have questions, write or telephone promptly.

.....
(the creditor)

3. A creditor gives notice to the consumer under this part when the creditor delivers the notice to the consumer or mails the notice to the consumer at the consumer's residence as defined in section 537.1201, subsection 4.

4. If the consumer credit transaction is an insurance premium loan, the notice shall conform to the requirements of subsection 2, and a notice in substantially the form specified in that subsection complies with this subsection except for the following:

a. In lieu of a brief identification of the credit transaction, the notice shall identify the transaction as an insurance premium loan and each insurance policy or contract that may be canceled.

b. In lieu of the statement in the form of notice specified in subsection 2 that the creditor may exercise the creditor's rights under the law, the statement that each policy or contract, identified in the notice may be canceled.

c. The last paragraph of the form of notice specified in subsection 2 shall be omitted.

5. This section does not apply to a consumer rental purchase agreement, which is governed by section 537.3618.

[C75, 77, 79, 81, §537.5111]

87 Acts, ch 80, §50

537.5112 Reserved.

537.5113 Venue.

An action by a creditor against a consumer arising from a consumer credit transaction shall be brought in the county of the consumer's residence as defined in section 537.1201, subsection 4, unless an action is brought to enforce an interest in land securing the consumer's obligation, in which case the action shall be brought in the county in which the land or a part of it is located. If the county of the consumer's residence has changed, the consumer upon motion may have the action removed to the county of the consumer's current residence. If the residence of the consumer is not within this state, the action may be brought in the county in which the sale, lease or loan was made. If the initial papers offered for filing in the action on their face show noncompliance with this section, they shall not be accepted by the clerk of the court.

[C75, 77, 79, 81, §537.5113]

537.5114 Complaint — proof.

1. In an action brought by a creditor against a consumer arising from a consumer credit transaction, the complaint shall allege the facts of the consumer's default, the amount to which the creditor is entitled, and an indication of how that amount was determined.

2. No default judgment shall be entered in the action in favor of the creditor unless the complaint is verified by the creditor, or unless sworn testimony, by affidavit or otherwise, is adduced showing that the creditor is entitled to the relief demanded.

[C75, 77, 79, 81, §537.5114]

537.5115 Reserved.

PART 2

CONSUMERS' REMEDIES

537.5201 Effect of violations on rights of parties.

1. The consumer, other than a lessee in a consumer rental purchase agreement, has a cause of action to recover actual damages and in addition a right in an action other than a class action to recover from the person violating this chapter a penalty in an amount determined by the court, but not less than one hundred dollars nor more than one thousand dollars, if a person has violated the provisions of this chapter relating to:

- a. Authority to make supervised loans under section 537.2301.
- b. Restrictions on interests in land as security under section 537.2307.
- c. Limitations on the schedule of payments or loan terms for supervised loans under section 537.2308.
- d. Attorney fees under section 537.2507.
- e. Charges for other credit transactions under section 537.2601.
- f. Disclosure with respect to consumer leases under section 537.3202.
- g. Notice to consumers under section 537.3203.
- h. Receipts, statements of account and evidences of payment under section 537.3206.
- i. Form of insurance premium loan agreement under section 537.3207.
- j. Notice to cosigners and similar parties under section 537.3208.
- k. Restrictions on rates stated to the consumer under section 537.3210.
- l. Security in consumer credit transactions under section 537.3301.
- m. Prohibition against assignments of earnings under section 537.3305.
- n. Authorizations to confess judgment under section 537.3306.
- o. Certain negotiable instruments prohibited under section 537.3307.
- p. Referral sales and leases under section 537.3309.
- q. Limitations on executory transactions under section 537.3310.
- r. Prohibition against discrimination under section 537.3311.
- s. Limitations on default charges under section 537.3402.
- t. Card issuer subject to claims and defenses under section 537.3403.
- u. Assignees subject to claims and defenses under section 537.3404.
- v. Lenders subject to claims and defenses arising from sales and leases, under section 537.3405.
- w. Door-to-door sales under section 537.3501.
- x. Assurance of discontinuance under section 537.6109.
- y. Prohibitions against unfair debt collection practices under section 537.7103.
- z. Failure to provide a proper notice of cure or right to cure under sections 537.5110 and 537.5111.

aa. Failure to provide a notice of consumer paper under section 537.3211.

With respect to violations arising from sales or loans made pursuant to open end credit, no action pursuant to this subsection may be brought more than two years after the violations occurred. With respect to violations arising from other consumer credit transactions, no

action pursuant to this subsection may be brought more than one year after the due date of the last scheduled payment of the agreement.

2. A consumer is not obligated to pay a charge in excess of that allowed by this chapter, and has a right of refund of any excess charge paid. A refund may not be made by reducing the consumer's obligation by the amount of the excess charge unless the creditor has notified the consumer that the consumer may request a refund and the consumer has not so requested within thirty days thereafter. If the consumer has paid an amount in excess of the lawful obligation under the agreement, the consumer may recover the excess amount either from the person who made the excess charge or from an assignee of that person's rights who undertakes direct collection of payments from or enforcement of rights against consumers arising from the debt.

3. If a creditor has contracted for or received a charge in excess of that allowed by this chapter, or if a consumer is entitled to a refund and a person liable to the consumer refuses to make a refund within a reasonable time after demand, the consumer may recover from the creditor or the person liable, in an action other than a class action, the excess charge or refund and a penalty in an amount determined by the court not less than one hundred dollars or more than one thousand dollars. With respect to excess charges arising from sales or loans made pursuant to open end credit, no action pursuant to this subsection may be brought more than two years after the time the excess charge was made. With respect to excess charges arising from other consumer credit transactions no action pursuant to this subsection may be brought more than one year after the due date of the last scheduled payment of the agreement pursuant to which the charge was made. For purposes of this subsection, a reasonable time is presumed to be thirty days.

4. Except as otherwise provided in this chapter, no violation of this chapter impairs rights on a debt.

5. If an employer discharges an employee in violation of the provisions prohibiting discharge in section 642.21, subsection 2, paragraph "c", the employee may within two years bring a civil action for recovery of wages lost as a result of the violation and for an order requiring the reinstatement of the employee. Damages recoverable shall not exceed lost wages for six weeks.

6. A person is not liable for a penalty under subsection 1 or 3 if the person notifies the consumer of an error before the person receives from the consumer written notice of the error or before the consumer has brought an action under this section, and the person corrects the error within forty-five days after notifying the consumer. If the violation consists of a prohibited agreement, giving the consumer a corrected copy of the writing containing the error is sufficient notification and correction. If the violation consists of an excess charge, correction shall be made by an adjustment or refund as provided in subsection 2. The administrator, and any official or agency of this state having supervisory authority over a person, shall give prompt notice to a person of any errors discovered pursuant to an examination or investigation of the transactions, business, records and acts of the person.

7. A person may not be held liable in any action brought under this section for a violation of this chapter if the person shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid the error.

8. In an action in which it is found that a person has violated this chapter, the court shall award to the consumer the costs of the action and to the consumer's attorneys their reasonable fees. Reasonable attorney's fees shall be determined by the value of the time reasonably expended by the attorney and not by the amount of the recovery on behalf of the consumer.

[C75, 77, 79, 81, §537.5201]

87 Acts, ch 80, §51

537.5202 Damages or penalties as setoff to obligation.

Damages or penalties to which a consumer is entitled pursuant to this part may be setoff against the consumer's obligation, and may be raised as a defense to a suit on the obligation without regard to the time limitations prescribed by this part.

[C75, 77, 79, 81, §537.5202]

537.5203 Civil liability for violation of disclosure provisions.

1. Except as otherwise provided in this section, a creditor who, in violation of the provisions of the Truth in Lending Act other than its provisions concerning advertising of credit terms, fails to disclose information to a person entitled to the information under this chapter is liable to that person, in other than a class action, in an amount equal to the sum of the following:

a. Twice the amount of the finance charge in connection with the transaction, but the liability pursuant to this paragraph shall be not less than one hundred dollars or more than one thousand dollars.

b. In the case of a successful action to enforce the liability under paragraph "a", the costs of the action together with reasonable attorney's fees as determined by the court.

2. A creditor has no liability under this section if within fifteen days after discovering an error, and prior to the institution of an action under this section or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account are necessary to assure that the person will not be required to pay a finance charge in excess of the amount or percentage rate actually disclosed. The administrator, and any official or agency of this state having supervisory authority over a creditor, shall give prompt notice to a creditor of any errors discovered pursuant to an examination or investigation of the transactions, business, records and acts of the creditor.

3. A creditor may not be held liable in any action brought under this section for a violation of this chapter if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid the error.

4. Any action which may be brought under this section against the original creditor in any credit transaction involving a security interest in land may be maintained against any subsequent assignee of the original creditor where the assignee, its subsidiaries, or affiliates were in a continuing business relationship with the original creditor either at the time the credit was extended or at the time of the assignment, unless the assignment was involuntary, or the assignee shows by a preponderance of evidence that it did not have reasonable grounds to believe that the original creditor was engaged in violations of this chapter and that it maintained procedures reasonably adapted to apprise it of the existence of the violations.

5. An obligor or consumer has all rights under this chapter that the obligor or consumer has under the provisions of the Truth in Lending Act concerning a right of rescission as to certain transactions, and a creditor or other person has all liabilities and defenses under this section that the obligor or consumer has under the Truth in Lending Act.

6. No action pursuant to this section may be brought more than one year after the date of the occurrence of the violation.

7. In this section, creditor includes a person who in the ordinary course of business regularly extends or arranges for the extension of credit, or offers to arrange for the extension of credit, and includes the seller of an interest in land and the lender who makes a loan secured by an interest in land if, but for the rate of the finance charge made in the transaction, the sale or loan would be a consumer credit sale or consumer loan.

8. The liability of a creditor under this section is in lieu of and not in addition to the creditor's liability under the Truth in Lending Act. An action by a person with respect to a violation may not be maintained pursuant to this section if a final judgment has been rendered for or against that person with respect to the same violation pursuant to the Truth in Lending Act, and if a final judgment has been rendered in favor of a person pursuant to this section and thereafter a final judgment with respect to the same violation is rendered in favor of the same person pursuant to the Truth in Lending Act, a creditor liable under both judgments has

a cause of action against that person for appropriate relief to the extent necessary to avoid double liability with respect to the same violation.

9. The administrator shall adopt rules to keep this section in harmony with the Truth in Lending Act. These rules supersede any provisions of this section which are inconsistent with the Truth in Lending Act as adopted by section 537.1302.

[C75, 77, 79, 81, §537.5203]

PART 3

CRIMINAL PENALTIES

537.5301 Willful violations.

1. A person who willfully and knowingly makes charges in excess of those permitted by the provisions of article 2, part 4, applying to supervised loans, is guilty of a serious misdemeanor.

2. A person who, in violation of the provisions of this Act applying to authority to make supervised loans under section 537.2301, willfully and knowingly engages without a license in the business of making supervised loans, or of taking assignments of and undertaking direct collection of payments from and enforcement of rights against consumers arising from supervised loans, is guilty of a serious misdemeanor.

3. A person, other than a lessor in a consumer rental purchase agreement, who willfully and knowingly engages in the business of entering into consumer credit transactions, or of taking assignments of rights against consumers arising therefrom and undertaking direct collection of payments or enforcement of these rights, without complying with the provisions of this chapter concerning notification under section 537.6202 or payment of fees under section 537.6203, is guilty of a simple misdemeanor.

4. A person who willfully and knowingly violates the provisions of section 537.7103 is guilty of a serious misdemeanor. However, this subsection is not applicable to a violation of section 537.7103, subsection 7.

[C75, 77, 79, 81, §537.5301]

87 Acts, ch 80, §52; 2007 Acts, ch 128, §3

537.5302 Disclosure violations.

A person is guilty of a serious misdemeanor, if the person willfully and knowingly does any of the following:

1. Gives false or inaccurate information or fails to provide information which the person is required to disclose under the provisions of the Truth in Lending Act.

2. Uses any rate table or chart, the use of which is authorized by the provisions of the Truth in Lending Act, in a manner which consistently understates the annual percentage rate determined according to those provisions.

3. Otherwise fails to comply with any requirement of the provisions on disclosure of the Truth in Lending Act.

4. The criminal liability of a person under this section is in lieu of and not in addition to the person's criminal liability under the Truth in Lending Act. No prosecution of a person with respect to the same violation may be maintained pursuant to both this section and the Truth in Lending Act.

[C75, 77, 79, 81, §537.5302]

ARTICLE 6
ADMINISTRATION

PART 1
POWERS AND FUNCTIONS OF ADMINISTRATOR

537.6101 Short title.

This article shall be known and may be cited as the “*Iowa Consumer Credit Code — Administration*”.

[C75, 77, 79, 81, §537.6101]

537.6102 Applicability.

This part applies to persons who:

1. Participate in transactions, acts, practices or conduct to which this chapter applies pursuant to section 537.1201.
2. Participate in this state in transactions, acts, practices or conduct to which this chapter would apply pursuant to section 537.1201, but for the residence of the consumer.
3. Enter into or modify a sale of an interest in land or a loan secured by an interest in land, if, but for the rate of the finance charge, the sale, loan or modification would involve a consumer credit sale or consumer loan, but applies only for the purpose of authorizing the administrator to enforce the provisions on compliance with the Truth in Lending Act.

[C75, 77, 79, 81, §537.6102]

537.6103 Administrator.

Except as expressly provided in sections 537.6106 and 537.6108, “*administrator*” means the attorney general or the attorney general’s designee.

[C75, 77, 79, 81, §537.6103]

537.6104 Powers of administrator — reliance on rules — duty to report.

1. The administrator, within the limitations provided by law, may:
 - a. Receive and act on complaints.
 - b. Take action designed to obtain voluntary compliance with this chapter.
 - c. Commence proceedings on the administrator’s own initiative.
 - d. Counsel persons and groups on their rights and duties under this chapter.
 - e. Establish programs for the education of consumers with respect to credit practices and problems.
 - f. Make studies appropriate to effectuate the purposes and policies of this chapter and make the results available to the public.
 - g. Maintain offices within this state.
2. The administrator may enforce the Truth in Lending Act to the fullest extent provided by law.
3. To keep the administrator’s rules in harmony with the rules of administrators in other jurisdictions which enact the uniform consumer credit code, the administrator, so far as is consistent with the purposes, policies and provisions of this chapter, shall do both of the following:
 - a. Before adopting, amending and repealing rules, advise and consult with administrators in other jurisdictions which enact the uniform consumer credit code.
 - b. In adopting, amending, and repealing rules, take into consideration the rules of administrators in other jurisdictions which enact the uniform consumer credit code.
4. Except for refund of an excess charge, no liability is imposed under this chapter for an act done or omitted in conformity with a rule or declaratory ruling of the administrator, notwithstanding that after the act or omission the rule or declaratory ruling is amended or repealed or determined by judicial or other authority to be invalid for any reason.

5. The administrator shall report annually on or before January 1 to the general assembly on the operation of the consumer credit protection bureau and the other agencies of this state charged with administering this chapter, and on the problems of persons of small means obtaining credit from persons regularly engaged in extending sales or loan credit. For the purpose of making the report, the administrator may conduct research and make appropriate studies. The report shall include, for the consumer credit protection bureau and for other state agencies enforcing this chapter, a description of the examination and investigation procedures and policies, a statement of policies followed in deciding whether to investigate or examine the offices of credit suppliers subject to this chapter, a statement of the number and percentages of offices which are periodically investigated or examined, a statement of the types of consumer credit problems of both creditors and consumers which have come to the administrator's attention through the administrator's examinations and investigations and the disposition of them under existing law, and recommendations, if any, for legislation to deal with those problems within the administrator's general jurisdiction, a statement of the extent to which the rules of the administrator pursuant to this chapter are not in harmony with the rules of administrators in other jurisdictions which enact the uniform consumer credit code and the reasons for the variations, and a general statement of the activities of the administrator's office and of others to promote the purposes of this chapter. The report shall not identify the creditors against whom action is taken.

[C75, 77, 79, 81, §537.6104]

91 Acts, ch 118, §4; 92 Acts, ch 1035, §1

537.6105 Administrative powers with respect to supervised financial organizations and supervised loan licensees.

1. With respect to supervised financial organizations subject to regulation under chapters 524, 533 and 534, and persons licensed under chapters 536 and 536A, the powers of examination and investigation as provided in sections 537.2305 and 537.6106, and administrative enforcement as provided in sections 537.2303 and 537.6108, shall be exercised by the official or agency to whose supervision the person is subject. All other powers of the administrator under this chapter may be exercised by the administrator with respect to such persons. In all actions or other court proceedings brought to enforce this chapter, the attorney general or the attorney general's designee shall participate.

2. If the administrator receives a complaint or other information concerning noncompliance with this chapter by a person specified in subsection 1, the administrator shall inform the official or agency having supervisory authority over that person. The administrator may obtain information about any such person from the officials or agencies supervising them.

3. The administrator and any official or agency of this state having supervisory authority over a supervised financial organization or a chapter 536 or 536A licensee are authorized and directed to consult and assist one another in maintaining compliance with this chapter. They may jointly pursue investigations, prosecute suits, and take other official action against violations of this chapter, as they deem appropriate, if either of them otherwise is empowered to take the action.

[C75, 77, 79, 81, §537.6105]

537.6106 Investigatory powers.

1. For purposes of this section, "*administrator*" means either the attorney general or the attorney general's designee, or the official or agency charged with enforcing this chapter against the person under investigation, as provided in section 537.6105, subsection 1. If the administrator has reasonable cause to believe that a person has engaged in conduct or committed an act which is in violation of this chapter, the administrator may make an investigation to determine whether the person has engaged in the conduct or committed the act, and, to the extent necessary for this purpose, may administer oaths or affirmations, and, upon the administrator's own motion or upon request of any party, may subpoena witnesses, compel their attendance, adduce evidence, and require the production of, or testimony as to, any matter which is relevant to the investigation, including the existence, description,

nature, custody, condition, and location of any books, documents, or other tangible things and the identity and location of persons having knowledge of relevant facts, or any other matter reasonably calculated to lead to the discovery of admissible evidence. In any civil action brought by the administrator as a result of such an investigation, the administrator shall be awarded the reasonable costs of making the investigation if the administrator prevails in the action.

2. If the person's records are located outside this state, the person at the person's option shall either make them available to the administrator at a convenient location within this state or pay the reasonable and necessary expenses for the administrator or the administrator's representative to examine them at the place where they are maintained. The administrator may designate representatives, including comparable officials of the state in which the records are located, to inspect them on the administrator's behalf.

3. Upon application by the administrator showing failure without lawful excuse to obey a subpoena or to give testimony and upon reasonable notice to all persons affected thereby, the district court shall grant an order compelling compliance.

4. The administrator shall not make public the name or identity of a person whose acts or conduct the administrator investigates pursuant to this section or the facts disclosed in the investigation, but this subsection does not prohibit disclosures in actions or enforcement proceedings pursuant to this chapter.

[C75, 77, 79, 81, §537.6106]

537.6107 Reserved.

537.6108 Administrative enforcement orders.

1. For purposes of this section, "*administrator*" means either the attorney general or the attorney general's designee, or the official or agency charged with enforcing this chapter against the person under investigation, as provided in section 537.6105, subsection 1. Except as provided in subsection 6, after notice and hearing the administrator may order a person to cease and desist from engaging in violations of this chapter. A person aggrieved by an order of the administrator may obtain judicial review of the order and the administrator may obtain an order of the district court for enforcement of the cease and desist order if the person prevails in the proceeding for review, or as provided in subsection 5. The proceeding for review or enforcement is initiated by filing a petition in the district court. Copies of the petition shall be served upon all parties of record.

2. Within thirty days after service of the petition for review upon the administrator, or within any further time the court may allow, the administrator shall transmit to the court the original or a certified copy of the entire record upon which the order is based, including any transcript of testimony, which need not be printed. By stipulation of all parties to the review proceeding, the record may be shortened. After hearing, the court may reverse or modify the order if the findings of fact of the administrator are clearly erroneous in view of the reliable, probative and substantial evidence on the whole record, or grant any temporary relief or restraining order it deems just, and enter an order enforcing, modifying and enforcing as modified, or setting aside in whole or in part the order of the administrator, or remanding the case to the administrator for further proceedings.

3. An objection not urged at the hearing shall not be considered by the court unless the failure to urge the objection is excused for good cause shown. A party may move the court to remand the case to the administrator in the interest of justice for the purpose of adducing additional specified and material evidence and seeking findings thereon upon good cause shown for the failure to adduce this evidence before the administrator.

4. The jurisdiction of the court shall be exclusive and its final judgment or decree shall be subject to review by the supreme court in the same manner and form and with the same effect as in appeals from a final judgment or decree in an equitable proceeding. The administrator's copy of the testimony shall be available at reasonable times to all parties for examination without cost.

5. A proceeding for review under this section must be initiated within thirty days after a copy of the order of the administrator is received. If no proceeding is so initiated, the

administrator may obtain a decree of the district court for enforcement of the cease and desist order upon a showing that the order was issued in compliance with this section, that no proceeding for review was initiated within thirty days after copy of the order was received, and that the person against whom the order was directed is subject to the jurisdiction of the court.

6. With respect to unconscionable agreements or fraudulent or unconscionable conduct by the respondent, the administrator may not issue an order pursuant to this section but may bring a civil action for an injunction under section 537.6111.

[C75, 77, 79, 81, §537.6108]

537.6109 Assurance of discontinuance.

If it is claimed that a person has engaged in conduct which could be subject to an order by the administrator or by a court, the administrator may accept an assurance in writing that the person will not engage in the same or in similar conduct in the future. The assurance may include stipulations that the creditor will voluntarily pay the costs of investigation, or that an amount will be held in escrow as restitution to debtors aggrieved by future conduct of the creditor or as a reserve to cover costs of future investigation, or may include admissions of past specific acts by the creditor or admissions that those acts violated this chapter or other statutes. A violation of an assurance of discontinuance is a violation of this chapter.

[C75, 77, 79, 81, §537.6109]

537.6110 Injunctions and other proceedings in equity.

The administrator may bring a civil action to restrain a person from violating this chapter and for other appropriate relief, including but not limited to the following:

1. To prevent the use or employment by a person of practices prohibited by this chapter.
2. To reform contracts to conform to this chapter and to rescind contracts into which a creditor has induced a consumer to enter by conduct violating this chapter, even though the consumers are not parties to the action. An action under this section may be joined with an action under the provisions on civil actions by the administrator under section 537.6113.

[C75, 77, 79, 81, §537.6110]

537.6111 Injunctions against unconscionable agreements and fraudulent or unconscionable conduct.

1. The administrator may bring a civil action to restrain a person to whom this part applies from engaging in any of the following courses of action:

- a. Making or enforcing unconscionable terms or provisions of consumer credit transactions.
- b. Fraudulent or unconscionable conduct in inducing consumers to enter into consumer credit transactions.
- c. Conduct of any of the types specified in paragraph "a" or "b" with respect to transactions that give rise to or that lead persons to believe they will give rise to consumer credit transactions.
- d. Fraudulent or unconscionable conduct in the collection of debts arising from consumer credit transactions or from transactions which would have been consumer credit transactions if a finance charge was made or the obligation was payable in installments.

2. In an action brought pursuant to this section the court may grant relief only if it finds all of the following:

- a. That the defendant has made unconscionable agreements or has engaged in or is likely to engage in a course of fraudulent or unconscionable conduct.
- b. That the defendant's agreements have caused or are likely to cause, or the conduct of the defendant has caused or is likely to cause, injury to consumers or debtors.
- c. That the defendant has been able to cause or will be able to cause the injury primarily because the transactions involved are credit transactions.

3. In applying subsection 1, paragraph "a," "b," or "c," consideration shall be given to the factors specified in the provisions on unconscionability with respect to a transaction that is

or gives rise to or that a person leads the debtor to believe will give rise to a consumer credit transaction, as provided in section 537.5108, subsection 3, among others.

4. In applying subsection 1, paragraph “d,” violations of section 537.7103 shall be considered, among other factors, as applicable.

5. In an action brought pursuant to this section, a charge or practice expressly permitted by this chapter is not in itself unconscionable.

[C75, 77, 79, 81, §537.6111]

537.6112 Temporary relief.

With respect to an action brought to enjoin violations of this chapter under section 537.6110 or unconscionable agreements or fraudulent or unconscionable conduct under section 537.6111, the administrator may apply to the court for appropriate temporary relief against a defendant, pending final determination of the action. The court may grant appropriate temporary relief.

[C75, 77, 79, 81, §537.6112]

537.6113 Civil actions by administrator.

1. After demand, the administrator may bring a civil action against a person for all amounts of money, other than penalties, which a consumer or class of consumers has a right to recover explicitly granted by this chapter. The court shall order amounts recovered or recoverable under this subsection to be paid to each consumer or set off against the consumer’s obligation. A consumer’s action, other than a class action, takes precedence over a prior or subsequent action by the administrator with respect to the claim of that consumer. A consumer’s class action takes precedence over a subsequent action by the administrator with respect to claims common to both actions but intervention by the administrator is authorized. An administrator’s action on behalf of a class of consumers takes precedence over a consumer’s subsequent class action with respect to claims common to both actions. Whenever an action takes precedence over another action under this subsection, the latter action may be stayed to the extent appropriate while the precedent action is pending and dismissed if the precedent action is dismissed with prejudice or results in a final judgment granting or denying the claim asserted in the precedent action. A defense available to a person in a civil action brought by a consumer is available to the person in a civil action brought under this subsection.

2. The administrator may bring a civil action against a person to recover a civil penalty of no more than five thousand dollars for repeatedly and intentionally violating this chapter. No civil penalty pursuant to this subsection may be imposed for violations of this chapter occurring more than two years before the action is brought or for making unconscionable agreements or engaging in a course of fraudulent or unconscionable conduct.

3. The administrator may bring a civil action against a person for failure to file notification in accordance with the provisions on notification in section 537.6202, or to pay fees in accordance with the provisions on fees in section 537.6203, to recover the fees the defendant has failed to pay plus interest at the rate of seven percent per annum and the administrator’s reasonable costs in bringing the action, and a civil penalty in an amount determined by the court not exceeding the greater of three times the amount of fees the person has failed to pay or one thousand dollars.

[C75, 77, 79, 81, §537.6113]

537.6114 Reserved.

537.6115 Consumer’s remedies not affected.

The grant of powers to the administrator in this article does not affect remedies available to consumers under this chapter or under other principles of law or equity, except as provided in section 537.6113.

[C75, 77, 79, 81, §537.6115]

537.6116 Venue.

The administrator may bring actions or proceedings in the district court in a county in which an act on which the action or proceeding is based occurred, or in a county in which the defendant resides or transacts business.

[C75, 77, 79, 81, §537.6116]

537.6117 Administrative rules.

1. The attorney general or the attorney general's designee pursuant to chapter 17A may adopt, amend and repeal rules which the attorney general deems reasonably necessary for the enforcement of this chapter. Each rule so adopted shall be applicable to and binding upon every person subject to the provisions of this chapter.

2. An official or agency of this state charged with the enforcement of provisions of this chapter may adopt, amend or repeal rules pursuant to chapter 17A, subject to the following limitations:

a. A rule adopted pursuant to this subsection which conflicts with a rule adopted by the administrator is void.

b. An official or agency shall not adopt a rule which interprets or prescribes law or policy which has not been approved in advance of adoption by the administrator. If, in the opinion of the administrator, the proposed rule interprets the provisions of this chapter, or otherwise should be a rule of general applicability, the administrator may disapprove the proposed rule, in which case the official or agency shall not adopt that rule. The administrator may adopt that rule or a different rule relating to the same subject, or may determine that no rule relating to that subject shall be adopted.

[C75, §537.6204; C77, 79, 81, §537.6117]

PART 2

NOTIFICATION AND FEES

537.6201 Applicability.

This part applies to all of the following:

1. Creditors engaged in consumer credit transactions and acts, practices or conduct involving consumer credit transactions to which this chapter applies pursuant to section 537.1201, but not to those licensed, certificated, or otherwise authorized to engage in business by chapter 524, 533, 534, 536 or 536A.

2. Debt collectors, as defined in section 537.7102, subsection 5, to whose acts, practices, or conduct this chapter applies pursuant to section 537.1201 if the total debt collected by a debt collector in the preceding calendar year exceeds twenty-five thousand dollars, or if not, if the total debt collected during the current calendar year exceeds twenty-five thousand dollars, but this part does not apply to those licensed, certified, or otherwise authorized to engage in business under chapter 524, 533, 534, 536, or 536A.

[C75, 77, 79, 81, §537.6201]

89 Acts, ch 68, §5

537.6202 Notification.

1. Persons subject to this part shall file notification with the administrator within thirty days after commencing business in this state and, thereafter, on or before January 31 of each year. The notification must state all of the following:

a. Name of the person.

b. Every name in which business is transacted if different from the name of the person.

c. Address of principal office, whether or not within this state.

d. Address of all offices or retail stores, if any, in this state at which consumer credit transactions are entered into or acts, practices or conduct involving consumer credit transactions are engaged in, or in the case of a person taking assignments of obligations, any

offices or places of business within this state at which business is transacted or, in the case of debt collectors, any offices in this state from or at which debt collection is engaged in.

e. If consumer credit transactions or acts, practices or conduct involving consumer credit transactions or debt collection, are engaged in otherwise than at an office or retail store in this state and this chapter applies to such transactions, acts, practices or conduct, pursuant to section 537.1201, a brief description of the manner in which they are engaged in.

f. Address of designated agent upon whom service of process may be made in this state.

g. Whether or not supervised loans are made.

2. If information in a notification becomes inaccurate after filing, no further notification is required until the following January 31.

[C75, 77, 79, 81, §537.6202]

89 Acts, ch 68, §6; 90 Acts, ch 1168, §56

537.6203 Fees.

1. A person required to file notification shall pay to the administrator an annual fee of ten dollars. The fee shall be paid with the filing of the first notification and on or before January 31 of each succeeding year.

2. A person required to file notification who is a seller, lessor, or lender and who is not an assignee shall pay an additional fee at the time and in the manner stated in subsection 1 of ten dollars for each one hundred thousand dollars, or part thereof exceeding ten thousand dollars, of the average unpaid balances, including unpaid scheduled periodic payments under consumer leases, of obligations arising from consumer credit transactions entered into or modified by the person in this state and held on the last day of each calendar month during the preceding calendar year and held either by the seller, lessor, or lender, or by an immediate or remote assignee who has not filed notification. The unpaid balances of assigned obligations held by an assignee who has not filed notifications are presumed to be the unpaid balances of the assigned obligations at the time of their assignment by the seller, lessor, or lender.

3. A person required to file notification who is an assignee shall pay an additional fee at the time and in the manner stated in subsection 1 of ten dollars for each one hundred thousand dollars, or part thereof exceeding ten thousand dollars, of the average unpaid balances including unpaid scheduled periodic payments payable by lessees, of obligations arising from consumer credit transactions entered into or modified in this state, taken by the person by assignment and held by the person on the last day of each calendar month during the preceding calendar year.

4. In addition to the penalties provided by section 537.6113, subsection 3, the administrator may collect a charge, established by rule, not exceeding twenty-five dollars from each person required to pay fees under this section who fails to pay the fees in full within thirty days after they are due.

5. Moneys collected under this section shall be deposited in a consumer credit administration fund in the state treasury and shall be used for the administration of this chapter. The moneys are subject to warrant upon certification of the administrator and are appropriated for these purposes. Notwithstanding section 8.33, the moneys in the fund do not revert at the end of a fiscal period.

[C75, 77, 79, 81, §537.6203]

89 Acts, ch 68, §7; 2007 Acts, ch 22, §98

537.6204 Repealed by 76 Acts, ch 1212, § 8.

ARTICLE 7

DEBT COLLECTION PRACTICES

537.7101 Short title.

This article shall be known and may be cited as the "*Iowa Debt Collection Practices Act*".

[C75, 77, 79, 81, §537.7101]

537.7102 Definitions.

As used in this article, unless the context otherwise requires:

1. “*Administrator*” means the person designated in section 537.6103.
2. “*Creditor*”, for the purposes of this article, means the person to whom a debtor is obligated, either directly or indirectly, on a debt.
3. “*Debt*” means an actual or alleged obligation arising out of a consumer credit transaction, consumer rental purchase agreement, or a transaction which would have been a consumer credit transaction either if a finance charge was made, if the obligation was not payable in installments, if a lease was for a term of four months or less, or if a lease was of an interest in land. A debt includes a check as defined in section 554.3104 given in a transaction in connection with a consumer rental purchase agreement, in a transaction which was a consumer credit sale or in a transaction which would have been a consumer credit sale if credit was granted and if a finance charge was made, or in a transaction regulated under chapter 533D.
4. “*Debt collection*” means an action, conduct or practice in soliciting debts for collection or in the collection or attempted collection of a debt.
5. “*Debt collector*” means a person engaging, directly or indirectly, in debt collection, whether for the person, the person’s employer, or others, and includes a person who sells, or offers to sell, forms represented to be a collection system, device, or scheme, intended to be used to collect debts.
6. “*Debtor*”, for the purposes of this article, means the person obligated.
[C75, 77, 79, 81, §537.7102]
87 Acts, ch 137, §3; 89 Acts, ch 128, §4; 95 Acts, ch 139, §17

537.7103 Prohibited practices.

1. A debt collector shall not collect or attempt to collect a debt by means of an illegal threat, coercion or attempt to coerce. The conduct described in each of the following paragraphs is an illegal threat, coercion or attempt to coerce within the meaning of this subsection:
 - a. The use, or express or implicit threat of use, of force, violence or other criminal means, to cause harm to a person or to property of a person.
 - b. The false accusation or threat to falsely accuse a person of fraud or any other crime.
 - c. False accusations made to a person, including a credit reporting agency, or the threat to falsely accuse, that a debtor is willfully refusing to pay a just debt. However, a failure to reply to requests for payment and a failure to negotiate disputes in good faith are deemed willful refusal.
 - d. The threat to sell or assign to another an obligation of the debtor with an attending representation or implication that the result of the sale or assignment will be to subject the debtor to harsh, vindictive or abusive collection attempts.
 - e. The false threat that nonpayment of a debt may result in the arrest of a person or the seizure, garnishment, attachment or sale of property or wages of that person.
 - f. An action or threat to take an action prohibited by this chapter or any other law.
2. A debt collector shall not oppress, harass or abuse a person in connection with the collection or attempted collection of a debt of that person or another person. The following conduct is oppressive, harassing or abusive within the meaning of this subsection:
 - a. The use of profane or obscene language or language that is intended to abuse the hearer or reader and which by its utterance would tend to incite an immediate breach of the peace.
 - b. The placement of telephone calls to the debtor without disclosure of the name of the business or company the debt collector represents.
 - c. Causing expense to a person in the form of long distance telephone tolls, telegram fees or other charges incurred by a medium of communication by attempting to deceive or mislead persons as to the true purpose of the notice, letter, message or communication.
 - d. Causing a telephone to ring or engaging a person in telephone conversation repeatedly or continuously or at unusual hours or times known to be inconvenient, with intent to annoy, harass or threaten a person.
3. A debt collector shall not disseminate information relating to a debt or debtor as follows:
 - a. The communication or threat to communicate or imply the fact of a debt to a person

other than the debtor or a person who might reasonably be expected to be liable for the debt, except with the written permission of the debtor given after default. For the purposes of this paragraph, the use of language on envelopes indicating that the communication relates to the collection of a debt is a communication of the debt. However, this paragraph does not prohibit a debt collector from any of the following:

(1) Notifying a debtor of the fact that the debt collector may report a debt to a credit bureau or engage an agent or an attorney for the purpose of collecting the debt.

(2) Reporting a debt to a credit reporting agency or any other person reasonably believed to have a legitimate business need for the information.

(3) Engaging an agent or attorney for the purpose of collecting a debt.

(4) Attempting to locate a debtor whom the debt collector has reasonable grounds to believe has moved from the debtor's residence, where the purpose of the communication is to trace the debtor, and the content of the communication is restricted to requesting information on the debtor's location.

(5) Communicating with the debtor's employer or credit union not more than once during any three-month period when the purpose of the communication is to obtain an employer's or credit union's debt counseling services for the debtor. In the event no response is received by the debt collector from a communication to the debtor's employer or credit union the debt collector may make one inquiry as to whether the communication was received. In addition a debt collector may respond to any communications by a debtor's employer or credit union.

(6) Communicating with the debtor's employer once during any one-month period, if the purpose of the communication is to verify with an employer the fact of the debtor's employment and if the debt collector does not disclose, except as permitted in subparagraph (5), information other than the fact that a debt exists. This subparagraph does not authorize a debt collector to disclose to an employer the fact that a debt is in default.

(7) Communicating the fact of the debt not more than once in any three-month period, with the parents of a minor debtor, or with any trustee of any property of the debtor, conservator of the debtor or the debtor's property, or guardian of the debtor. In addition, a debt collector may respond to inquiry from a parent, trustee, conservator or guardian.

(8) Communicating with the debtor's spouse with the consent of the debtor, or responding to inquiry from the debtor's spouse.

b. The disclosure, publication, or communication of information relating to a person's indebtedness to another person, by publishing or posting a list of indebted persons, commonly known as "deadbeat lists", or by advertising for sale a claim to enforce payment of a debt when the advertisement names the debtor.

c. The use of a form of communication to the debtor, except a telegram, an original notice or other court process, or an envelope displaying only the name and address of a debtor and the return address of the debt collector, intended or so designed as to display or convey information about the debt to another person other than the name, address, and phone number of the debt collector.

4. A debt collector shall not use a fraudulent, deceptive, or misleading representation or means to collect or attempt to collect a debt or to obtain information concerning debtors. The following conduct is fraudulent, deceptive, or misleading within the meaning of this subsection:

a. The use of a business, company or organization name while engaged in the collection of debts, other than the true name of the debt collector's business, company, or organization or the name of the business or company the debt collector represents.

b. The failure to disclose in the initial written communication with the debtor and, in addition, if the initial communication with the debtor is oral, in that initial oral communication, that the debt collector is attempting to collect a debt and that information obtained will be used for that purpose, and the failure to disclose in subsequent communications that the communication is from a debt collector, except that this paragraph does not apply to either of the following:

(1) A formal pleading made in connection with a legal action.

(2) Communications issued directly by a state bank as defined in section 524.103 or its affiliate, a state bank chartered under the laws of any other state or its affiliate, a national

banking association or its affiliate, a trust company, a federally chartered savings and loan association or savings bank or its affiliate, an out-of-state chartered savings and loan association or savings bank or its affiliate, a financial institution chartered by the federal home loan bank board, an association incorporated or authorized to do business under chapter 534, a state or federally chartered credit union, a credit union service organization, or a company or association organized or authorized to do business under chapter 515, 518, 518A, or 520, or an officer, employee, or agent of such company or association, provided the communication does not deceptively conceal its origin or its purpose.

c. A false representation that the debt collector has information in the debt collector's possession or something of value for the debtor, which is made to solicit or discover information about the debtor.

d. The failure to clearly disclose the name and full business address of the person to whom the claim has been assigned at the time of making a demand for money.

e. An intentional misrepresentation, or a representation which tends to create a false impression of the character, extent or amount of a debt, or of its status in a legal proceeding.

f. A false representation, or a representation which tends to create a false impression, that a debt collector is vouched for, bonded by, affiliated with, or an instrumentality, agency or official of the state or an agency of federal, state or local government.

g. The use or distribution or sale of a written communication which simulates or is falsely represented to be a document authorized, issued or approved by a court, an official or other legally constituted or authorized authority, or which tends to create a false impression about its source, authorization or approval.

h. A representation that an existing obligation of the debtor may be increased by the addition of attorney's fees, investigation fees, service fees or other fees or charges, when in fact such fees or charges may not legally be added to the existing obligation.

i. A false representation, or a representation which tends to create a false impression, about the status or true nature of, or services rendered by, the debt collector or the debt collector's business.

5. A debt collector shall not engage in the following conduct to collect or attempt to collect a debt:

a. The seeking or obtaining of a written statement or acknowledgment in any form that specifies that a debtor's obligation is one chargeable upon the property of either husband or wife or both, under section 597.14, when the original obligation was not in fact so chargeable.

b. The seeking or obtaining of a written statement or acknowledgment in any form containing an affirmation of an obligation which has been discharged in bankruptcy, without clearly disclosing the nature and consequences of the affirmation and the fact that the debtor is not legally obligated to make the affirmation. However, this subsection does not prohibit the accepting of promises to pay that are voluntarily written and offered by a bankrupt debtor.

c. The collection of or the attempt to collect from the debtor a part or all of the debt collector's fee for services rendered, unless both of the following are applicable:

(1) The fee is reasonably related to the actions taken by the debt collector.

(2) The debt collector is legally entitled to collect the fee from the debtor.

d. The collection of or the attempt to collect interest or other charge, fee or expense incidental to the principal obligation unless the interest or incidental charge, fee, or expense is expressly authorized by the agreement creating the obligation and is legally chargeable to the debtor, or is otherwise legally chargeable.

e. A communication with a debtor when the debt collector knows that the debtor is represented by an attorney and the attorney's name and address are known, or could be easily ascertained, unless the attorney fails to answer correspondence, return phone calls or discuss the obligation in question, within a reasonable time, or prior approval is obtained from the debtor's attorney or when the communication is a response in the ordinary course of business to the debtor's inquiry.

6. A debt collector shall not use or distribute, sell or prepare for use, a written communication that violates or fails to conform to United States postal laws and regulations.

7. A debt collector shall not collect or attempt to collect charges from an employee or an

employee's dependents for treatment rendered the employee by any health service provider, after receiving actual notice that a contested case proceeding for determination of liability of workers' compensation benefits is pending as provided in section 85.27, subsection 6.

[C75, 77, 79, 81, §537.7103]

83 Acts, ch 101, §115; 87 Acts, ch 137, §4; 89 Acts, ch 296, §76; 97 Acts, ch 120, §1; 98 Acts, ch 1146, §1; 2005 Acts, ch 44, §2; 2007 Acts, ch 128, §4

[P] Penalties, see §537.5301

ARTICLE 8

CHECK CASHING PRACTICES

537.8101 Provision of credit card number as condition of check cashing or acceptance prohibited.

1. *Provision of credit card number or expiration date not required.* A person shall not require as a condition of acceptance of a check or share draft, or as a means of identification, that the person presenting the check provide a credit card number or expiration date, or both.

2. *Recording of credit card number or expiration date, simple misdemeanor.* Recording a credit card number or expiration date, or both, in connection with a sale of goods or services in which the purchaser pays by check or share draft, or in connection with the acceptance of a check or share draft, is a simple misdemeanor.

3. *Display without recordation permissible condition.* This section does not prohibit a person from requesting a purchaser to display a credit card as indicia of credit worthiness and financial responsibility or as additional identification, but the only information concerning a credit card which may be recorded is the type of credit card so displayed and the issuer of the credit card. This section does not require acceptance of a check or share draft whether or not a credit card is presented.

4. *Provision of credit card number or expiration date in lieu of deposit.* This section does not prohibit a person from requesting or receiving a credit card number or expiration date and recording the number or date, or both in lieu of a deposit to secure payment in event of default, loss, damage, or other occurrence.

88 Acts, ch 1059, §1, 2