

537.2510 Rebate or refund 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. (1) 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:

(a) 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.

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

(2) 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. If, however, a creditor has collected a service charge in association with a consumer credit transaction pursuant to [section 537.2501](#), [subsection 1](#), paragraph “l”, the creditor shall not collect or retain a minimum charge upon prepayment pursuant to [this subsection](#).

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.

8. [This section](#) does not apply to a financial institution as defined in [section 537.1301](#).

9. [This section](#) does not apply to a service charge collected pursuant to [section 537.2501, subsection 1](#), paragraph “l”.

10. Notwithstanding any provision of [this chapter](#) to the contrary or an agreement between a motor vehicle dealer licensed pursuant to [section 322.4](#) and the consumer, if the creditor is a financial institution as defined in the Iowa consumer credit code, [chapter 537](#), or the federal Gramm-Leach-Bliley Act of 1999, 15 U.S.C. §6801 et seq., who has purchased a retail installment contract as defined in [section 322.2, subsection 23](#), with voluntary debt cancellation coverage, the only obligation of the creditor upon prepayment in full shall be to notify the motor vehicle dealer within thirty days of the prepayment. The motor vehicle dealer shall promptly determine whether the consumer is eligible for a refund of any voluntary debt cancellation coverage and shall issue any refund required directly to the consumer within sixty days of the dealer’s receipt of notice of the prepayment from the creditor.

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

[87 Acts, ch 80, §40](#); [2012 Acts, ch 1023, §157](#); [2017 Acts, ch 138, §19](#); [2019 Acts, ch 27, §3, 4](#); [2021 Acts, ch 16, §2](#); [2022 Acts, ch 1032, §89](#); [2023 Acts, ch 11, §1](#)

Referred to in [§535.10](#), [536.27](#), [537.1303](#), [537.2201](#), [537.2401](#), [537.2504](#), [537.2509](#), [537.3203](#)

NEW subsection 10