

SENATE/HOUSE FILE _____
BY (PROPOSED ATTORNEY GENERAL
BILL)

A BILL FOR

1 An Act relating to the calculation of finance charges for
2 consumer loans pursuant to open-end credit.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 537.2402, Code 2021, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 3. As an alternative to the charge
4 authorized by subsection 2, and not in addition to the charge
5 authorized by subsection 2, for each billing cycle a charge may
6 be made which is the sum of the charges determined by applying
7 a percentage not exceeding the percentage provided in section
8 537.2403, subsection 1, to the actual balance of the open-end
9 account on each day in the billing cycle for which the charge
10 is made. The actual balance on a day is determined by adding to
11 the unpaid balance, if any, as of the beginning of that day all
12 purchases and other debits and deducting all payments and other
13 credits made or received as of that day.

14 EXPLANATION

15 The inclusion of this explanation does not constitute agreement with
16 the explanation's substance by the members of the general assembly.

17 This bill relates to the calculation of finance charges for
18 consumer loans pursuant to open-end credit.

19 A consumer loan made pursuant to open-end credit is
20 considered a supervised loan if the finance charge associated
21 with the consumer loan exceeds the finance charge permitted
22 in Code chapter 535. Current law allows creditors that
23 are authorized to make supervised loans to contract for and
24 receive finance charges with respect to a loan pursuant to
25 open-end credit. Pursuant to the Iowa consumer credit code,
26 the amount of that finance charge may not exceed the greater
27 of the average daily balance of the open-end account in the
28 billing cycle for which the charge is made (average daily
29 balance limitation); the balance of the open-end account at
30 the beginning of the first day of the billing cycle (first day
31 of billing cycle limitation); or the median amount within a
32 specified range including the balance of the open-end account
33 not exceeding that permitted by the average daily balance
34 limitation or the first day of billing cycle limitation (median
35 amount limitation).

1 The bill adds that, as an alternative to the average daily
2 balance limitation, the first day of billing cycle limitation,
3 and the median amount limitation, for each billing cycle a
4 charge may be made which is the sum of the charges determined
5 by applying a percentage that does not exceed the percentage
6 provided in Code section 537.2403, subsection 1, to the actual
7 balance of the open-end account on each day in the billing
8 cycle for which the charge is made. The bill establishes that
9 the actual balance on a day is determined by adding to the
10 unpaid balance as of the beginning of that day all purchases
11 and other debits and deducting all payments and other credits
12 made or received as of that day.