

House File 5 - Enrolled

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HOUSE FILE 5

AN ACT

RELATING TO THE MAXIMUM FINANCE CHARGE ALLOWED FOR CONSUMER LOANS SECURED BY A CERTIFICATE OF TITLE TO A MOTOR VEHICLE AND MAKING PENALTIES APPLICABLE.

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

Section 1. Section 537.2401, subsection 1, Code 2007, is amended to read as follows:

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. This 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.

Sec. 2. Section 537.2402, subsection 1, Code 2007, is amended to read as follows:

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.

Sec. 3. NEW SECTION. 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.

PATRICK J. MURPHY
Speaker of the House

JOHN P. KIBBIE
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 5, Eighty-second General Assembly.

MARK BRANDSGARD
Chief Clerk of the House

Approved _____, 2007

3 4 _____
3 5 CHESTER J. CULVER
3 6 Governor