

January 29, 1965.

Senate File 146

Passed on File.

By REPPERT, HAGEDORN and BRILES.

Commerce 1/29 '65, amended 4/25
Passed Senate, Date 3/10

Passed House, Date 4/7

Vote: Ayes 49 Nays 6 Vote: Ayes 105 Nays 5

Approved April 23, 1965

passed as amended
4/9 (4/6-4)

Commerce 3/15
'do pass' 3/18

A BILL FOR

An Act to increase the maximum amount of small loan under chapter five hundred thirty-six (536), Code 1962, to amend other sections of said chapter, and to amend section five hundred thirty-five point six (535.6), Code 1962, relating to penalties for excessive interest.

Be It Enacted by the General Assembly of the State of Iowa:

1 Section 1. Section five hundred thirty-five point six (535.6),
2 Code 1962, is hereby amended by striking from line eight (8) the
3 word "five" and inserting in lieu thereof the word "fifteen (15)".

1 Sec. 2. Section five hundred thirty-six point one (536.1),
2 Code 1962, is hereby amended by striking from line five (5) the
3 word "five" and inserting in lieu thereof the word "fifteen (15)".

1 Sec. 3. Section five hundred thirty-six point twelve (536.12),
2 Code 1962, is hereby amended by striking from line nine (9) the
3 word "five" and inserting in lieu thereof the word "fifteen (15)".

1 Sec. 4. Section five hundred thirty-six point thirteen (536.13),
2 Code 1962, is hereby amended as follows:

3 1. By striking from line two (2) of subsection five (5) the
4 word "five" and inserting in lieu thereof the word "fifteen (15)".

5 2. By striking from line three (3) of subsection six (6) the
6 word "five" and inserting in lieu thereof the word "fifteen (15)".

1 Sec. 5. Section five hundred thirty-six point fifteen (536.15),
2 Code 1962, is hereby amended as follows:

3 1. By striking from line eight (8) the word "five" and inserting
4 in lieu thereof the word "fifteen (15)".

5 2. By striking from line fourteen (14) the word "five" and
6 inserting in lieu thereof the word "fifteen (15)".

1 Sec. 6. Section five hundred thirty-six point sixteen (536.16),
2 Code 1962, is hereby amended by striking from line two (2) the
3 word "five" and inserting in lieu thereof the word "fifteen (15)".

1 Sec. 7. Section five hundred thirty-six point eighteen (536.18),
2 Code 1962, is hereby amended as follows:

3 1. By striking from line nine (9) the word "five" and inserting
4 in lieu thereof the word "fifteen (15)"

5 2. By striking from line eighteen (18) the word "five" and
6 inserting in lieu thereof the word "fifteen (15)".

1 Sec. 8. Section five hundred thirty-six point thirteen (536.13),
2 Code 1962, is hereby amended by striking all of line one (1) of
3 subsection four (4) thereof and by inserting in lieu thereof the
4 following: "Beginning July 4, 1965, and until such"; and by
5 striking the "period (.)" at the end of subsection four (4) and
6 inserting a "comma (,)" in lieu thereof and adding thereto the
7 following: "but not exceeding one thousand (1,000) dollars, and
8 one (1) per cent per month on any part of the unpaid principal
9 balance of the loan in excess of one thousand (1,000) dollars."

1 Sec. 9. Chapter five hundred thirty-six (536), Code 1962,
2 is hereby amended by adding thereto the following new section:

3 "The final maturity date of loans made by a licensee under
4 this chapter cannot be more than twenty-four (24) months and
5 fifteen (15) days from the date of making such loans if the
6 principal amount of the loan is five hundred (500) dollars or less
7 and if the principal amount of the loan exceeds five hundred (500)
8 dollars, the final maturity date cannot be more than thirty-six (36)
9 months and fifteen (15) days from the date such loans are made."

1 Sec. 10. Section five hundred thirty-six point thirteen (536.13),
2 Code 1962, is hereby amended as follows:

3 1. By striking lines five (5), six (6), seven (7), eight (8),
4 nine (9), ten (10), eleven (11) and twelve (12) of subsection six
5 (6) and inserting in lieu thereof the following:

6 "Interest shall not be paid, deducted or received in advance;
7 shall not be compounded; shall be computed only on unpaid principal
8 balances for the number of days actually elapsed and for the purpose
9 of such computations a month shall be any period of thirty (30)
10 consecutive days, but interest may be precomputed as provided in
11 subsection seven (7) of this section. If part or all of the
12 consideration for a loan contract is the unpaid principal balance
13 of a prior loan with the same licensee, then the principal amount
14 payable under such loan contract may include the amount due on
15 a precomputed contract after giving the rebate required by
16 subsection seven (7) of this section. No".

17 2. By adding the following new subsection seven (7):

18 "7. Where the contract of loan requires repayment in substan-
19 tially equal and consecutive monthly installments of principal and
20 interest combined, the licensee may, at the time the loan is made,
21 precompute the interest at the agreed monthly rate on scheduled
22 unpaid principal balances according to the terms of the contract
23 and add such interest to the principal of the loan and include it in
24 the amount of the loan contract, but the principal excluding interest
25 cannot exceed fifteen hundred (1500) dollars. Every payment may be
26 applied to the combined total of principal and precomputed
27 interest until the contract is fully paid. All payments made on
28 account of any loan except for default and deferment charges
29 shall be deemed to be applied to the unpaid installments in the

30 order in which they are due. The portion of the precomputed
31 interest applicable to any particular month of the contract,
32 as originally scheduled or following a deferment, shall be that
33 proportion of such precomputed interest, excluding any adjustment
34 made for a first installment period of more than one (1) month
35 and any adjustment made for deferment, which the balance of the
36 contract scheduled to be outstanding during such month bears to the
37 sum of all monthly balances originally scheduled to be outstanding
38 by the contract. For the purpose of computation of precomputed
39 interest, a month shall be that period of time from any date in
40 a month to the corresponding date in the next month, but if
41 there is no such corresponding date then to the last day of the
42 next month and a day shall be considered one-thirtieth (1/30)
43 of a month when computation is made for a fraction of a month.
44 All loan contracts made pursuant to this subsection shall be
45 subject to the following adjustments:

46 "a. Notwithstanding the requirement for substantially equal
47 and consecutive monthly installments, the first installment period
48 may exceed one (1) month by as much as fifteen (15) days and the
49 interest for each day exceeding one (1) month shall be one-thirtieth
50 (1/30) of the interest which would be applicable to a first
51 installment period of one (1) month. The interest for extra days
52 in the first installment period may be added to the first install-
53 ment and such interest for such extra days shall be excluded in
54 computing any rebate except as provided in paragraph b hereof;

55 "b. If prepayment in full by cash, a new loan, or otherwise
56 occurs before the first installment due date, the interest shall
57 be recomputed at the agreed rate upon the actual unpaid principal
58 balances of the loan for the actual time outstanding by applying

59 the payment, or payments, first to interest at the agreed rate
60 and the remainder to the principal. The amount of interest so
61 computed shall be retained in lieu of all precomputed interest;
62 "c. If the contract is prepaid in full by cash, a new loan, or
63 otherwise on or after the first installment due date but before
64 the final installment due date, the borrower shall receive a rebate
65 of an amount which shall be not less than that portion of the
66 precomputed interest, excluding any adjustment for a first
67 installment period of more than one (1) month and any default and
68 deferment charges, applicable to the installment periods scheduled
69 to follow the installment date nearest the date of prepayment in
70 full. For the purpose of computing the rebate, any prepayment in
71 full made on or before the fifteenth day following an installment
72 date shall be deemed to have been made on the installment date
73 immediately preceding the date of prepayment in full and any
74 prepayment in full made after such fifteenth day shall be deemed
75 to have been made on the installment date immediately following
76 the date of prepayment in full. Any default and deferment charges
77 which are due and unpaid may be deducted from such rebate. No
78 rebate shall be required for any partial payment. No rebate
79 of less than one (1) dollar need be made. Acceleration of the
80 maturity of the contract shall not in itself require a rebate. If
81 judgment is obtained before the final installment date the contract
82 balance shall be reduced by the rebate which would be required for
83 prepayment in full as of the date judgment is obtained;
84 "d. If any installment is unpaid in full for seven (7) or
85 more consecutive days, Sundays and holidays included, after it is
86 due, the licensee may charge and collect a default charge not
87 exceeding an amount equal to the portion of the precomputed

88 interest applicable to the final installment period and a similar
89 amount may be charged and collected for each succeeding full month
90 from such due date that such installment remains wholly unpaid
91 and outstanding. Such default charges may be collected when due
92 or at any time thereafter;

93 "e. If, as of an installment due date, the payment date of all
94 wholly unpaid installments is deferred one (1) or more full months
95 and the maturity of the contract is extended for a corresponding
96 period, the licensee may charge and collect a deferment charge not
97 exceeding the interest applicable to the month preceding the first
98 of the installments deferred, multiplied by the number of months in
99 the deferment period. The deferment period is that period during
100 which no payment is made or required by reason of such deferment.
101 The deferment charge may be collected at the time of deferment or
102 any time thereafter. The portion of the precomputed interest
103 applicable to each deferred balance and installment period
104 following the deferment period shall remain the same as that
105 applicable to such balance and periods under the original contract
106 of loan. No installment on which a default charge has been collected,
107 or on account of which any partial payment has been made, shall be
108 deferred or included in the computation of the deferment charge
109 unless such default charge or partial payment is refunded to the
110 borrower or credited to the deferment charge. Any payment received
111 at the time of deferment may be applied first to the deferment
112 charge and the remainder, if any, applied to the unpaid balance
113 of the contract; provided, that if such payment is sufficient to
114 pay, in addition to the appropriate deferment charge, any
115 installment which is in default and the applicable default charge,
116 it shall be first so applied and any such installment shall not

117 be deferred or subject to the deferment charge. If a loan is
118 prepaid in full during the deferment period, the borrower shall
119 receive, in addition to the required rebate, a rebate of that
120 portion of the deferment charge applicable to any unexpired full
121 month or months of such deferment period; and

122 "f. If two (2) or more full installments are in default for
123 one (1) full month or more at any installment date and if the
124 contract so provides, the licensee may reduce the contract balance
125 by the rebate which would be required for prepayment in full as
126 of such installment date and the amount remaining unpaid shall
127 be deemed to be the unpaid principal balance and thereafter in
128 lieu of charging, collecting, receiving and applying interest
129 and charges as provided in this subsection, interest may be
130 charged, collected, received and applied at the agreed rate as
131 otherwise provided by this section until the loan is fully paid."

1 Sec. 11. Section five hundred thirty-six point fourteen (536.14),
2 Code 1962, is hereby amended by striking the "period (.)" in line
3 six (6) of subsection two (2) and inserting a "semicolon (;)" in
4 lieu thereof and adding thereto the following: "provided, however,
5 if the interest has been precomputed the receipt need not be
6 itemized and no receipt shall be required where payment is made
7 by check or money order and the full amount of such check or
8 money order is applied to the loan."

1 Sec. 12. Section five hundred thirty-six point twelve (536.12),
2 Code 1962, is hereby amended as follows:

3 1. By striking from lines thirty (30), thirty-one (31), thirty-
4 two (32), thirty-three (33) and thirty-four (34) the words "except
5 as may be authorized in writing by the superintendent upon his
6 finding that the character of such other business is such that

7 the granting of such authority would not facilitate" and inserting
8 in lieu thereof the following: "if the superintendent shall find
9 that the other business is of such nature that the conducting
10 thereof tends to conceal".

11 2. By inserting the following new sentence after the period (.)
12 in line thirty-six (36):

13 "In such case, the superintendent shall order such licensee
14 in writing to desist from such conduct."

1 Sec. 13. Section five hundred thirty-six point fourteen (536.14),
2 Code 1962, is hereby amended as follows:

3 1. By striking from lines two (2), three (3) and four (4)
4 of subsection one (1) thereof the words "(upon which there shall
5 be printed a copy of subsections 1, 5 and 6 of section 536.13)".

6 2. By adding the following new sentence at the end of subsection
7 one (1):

8 "When the loan is made pursuant to subsection seven (7) of
9 section five hundred thirty-six point thirteen (536.13) the
10 statement shall also contain a notice that default and deferment
11 charges may be made and that a rebate of unearned interest may be
12 made if the loan is prepaid in full prior to maturity."

1 Sec. 14. Section five hundred thirty-six point fourteen (536.14),
2 Code 1962, is hereby amended as follows:

3 1. By inserting in line two (2) of subsection four (4) after
4 the word "security" the words "other than a mortgage".

5 2. By inserting in line four (4) of subsection four (4) after
6 the word "mortgage" the words "which no longer secures a loan to
7 the licensee".

1 Sec. 15. Chapter five hundred thirty-six (536), Code 1962, is
2 hereby amended by adding thereto the following new section:

3 "No licensee shall, directly or indirectly, sell or offer for
4 sale any insurance in connection with any loan made under this
5 chapter except as and to the extent authorized by this section.
6 Life, accident and health insurance, or any of them, may be
7 written upon or in connection with any loan for a term not
8 extending beyond the final maturity date of the loan contract but
9 only upon one (1) obligor on any one (1) loan contract.

10 "The amount of life insurance shall at no time exceed the
11 unpaid balance of principal and interest combined which are
12 scheduled to be outstanding under the terms of the loan contract
13 or the actual amount unpaid on the loan contract, whichever is
14 greater.

15 "Accident and health insurance shall provide benefits not in
16 excess of the unpaid balance of principal and interest combined
17 which are scheduled to be outstanding under the terms of the loan
18 contract and the amount of each periodic benefit payment shall not
19 exceed the total amount payable divided by the number of
20 installments and shall provide that if the insured obligor is
21 disabled, as defined in the policy, for a period of more than
22 fourteen (14) days, benefits shall commence as of the first day
23 of disability.

24 "The premium or identifiable charge for such insurance shall
25 not exceed that filed by the insurer with the commissioner of
26 insurance. Such charge, computed at the time the loan is made
27 for the full term of the loan contract on the total amount
28 required to pay principal and interest, may be deducted from
29 the proceeds or may be included as part of the principal of any
30 loan.

31 "If a borrower procures insurance by or through a licensee,

32 the statement required by section five hundred thirty-six point
33 fourteen (536.14) shall disclose the cost to the borrower and
34 the type of insurance, and the licensee shall cause to be
35 delivered to the borrower a copy of the policy, certificate, or
36 other evidence thereof, within fifteen (15) days from the date
37 such insurance is procured. No licensee shall decline new or
38 existing insurance which meets the standards set out herein nor
39 prevent any obligor from obtaining such insurance coverage from
40 other sources.

41 "If the loan contract is prepaid in full by cash, a new loan,
42 or otherwise (except by the insurance) any life, accident and
43 health insurance procured by or through a licensee shall be
44 canceled and the unearned premium or identifiable charge shall
45 be refunded. The amount of such refund shall represent at least
46 as great a proportion of the insurance premium or identifiable
47 charge as the sum of the consecutive monthly balances of principal
48 and interest of the loan contract originally scheduled to be
49 outstanding after the installment date nearest the date of
50 prepayment bears to the sum of all such monthly balances of the
51 loan contract originally scheduled to be outstanding.

52 "Notwithstanding any other provision of this chapter, any
53 gain or advantage to the licensee or to any employee, affiliate,
54 or associate of the licensee from such insurance or the sale
55 or provision thereof shall not be deemed to be additional or
56 further interest or charges in connection with such loan; nor
57 shall any of the provisions pertaining to insurance contained
58 in this section be deemed prohibited by any other provision of
59 this chapter."

SENATE FILE 146

- 1 Amend Senate File 146 as follows:
2 1. By striking all of section 1 and inserting in lieu
3 thereof the following:
4 "Section 1. Section five hundred thirty-five point six (535.6),
5 Code 1962, is hereby amended by striking from line eight (8)
6 the words 'five hundred' and inserting in lieu thereof the
7 words 'one thousand (1000)'.
8 2. By striking all of section 2 and inserting in lieu
9 thereof the following:
10 "Sec. 2. Section five hundred thirty-six point one (536.1),
11 Code 1962, is hereby amended by striking from lines five (5)
12 and six (6) the words 'five hundred' and inserting in lieu thereof
13 the words 'one thousand (1000)'.
14 3. By striking all of section 3 and inserting in
15 lieu thereof the following:
16 "Sec. 3. Section five hundred thirty-six point twelve (536.12),
17 Code 1962, is hereby amended by striking from lines nine (9)
18 and ten (10) the words 'five hundred' and inserting in lieu thereof
19 the words 'one thousand (1000)'.
20 4. By striking all of section 4 and inserting in lieu
21 thereof the following:
22 "Sec. 4. Section five hundred thirty-six point thirteen (536.13),
23 Code 1962, is hereby amended as follows:
24 1. By striking from line two (2) of subsection five (5) the
25 words 'five hundred' and inserting in lieu thereof the words
26 'one thousand (1000)'.
27 2. By striking from line three (3) of subsection six (6) the
28 words 'five hundred' and inserting in lieu thereof the words
29 'one thousand (1000)'.
30 5. By striking all of section 5 and inserting in lieu
31 thereof the following:
32 "Sec. 5. Section five hundred thirty-six point fifteen (536.15),
33 Code 1962, is hereby amended as follows:
34 1. By striking from line eight (8) the words 'five hundred'
35 and inserting in lieu thereof the words 'one thousand (1000)'.
36 2. By striking from lines fourteen (14) and fifteen (15)
37 the words 'five hundred' and inserting in lieu thereof the words
38 'one thousand (1000)'.
39 6. By striking all of section 6 and inserting in lieu
40 thereof the following:
41 "Sec. 6. Section five hundred thirty-six point sixteen (536.16),
42 Code 1962, is hereby amended by striking from line two (2) the
43 words 'five hundred' and inserting in lieu thereof the words 'one
44 thousand (1000)'.
45 7. By striking all of section 7 and inserting in lieu
46 thereof the following:
47 "Sec. 7. Section five hundred thirty-six point eighteen (536.18),
48 Code 1962, is hereby amended as follows:
49 1. By striking from line nine (9) the words 'five hundred'
50 and inserting in lieu thereof the words 'one thousand (1000)'.
51 2. By striking from lines eighteen (18) and nineteen (19) the
52 words 'five hundred' and inserting in lieu thereof the words
53 'one thousand (1000)'.
54 8. Amend section 8 by striking all of said section
55 after the word "such" in line 4 and inserting in lieu
56 thereof a "period (.)".
57 9. Amend section 10, line 25, by striking
58 the words "fifteen hundred (1500)" and inserting in lieu thereof
59 the words "one thousand (1000)".
60 10. By striking all of section 12.
61 11. Further amend by renumbering the sections to
62 conform with this amendment.

Filed
February 18, 1965.

adopted 3/10

By KRUCK and HAGEDORN.

SENATE FILE 146

- 1 Amend Senate File 146 by inserting after the word "written"
2 in line 7 of section 15 the words "by a licensed
3 insurance agent".

Filed
February 10, 1965.

adopted 3/10

By RIGLER.

SENATE FILE 146

1 Amend Senate File 146 as passed by the Senate by striking all
2 of section eight (8) and inserting in lieu thereof the following:
3 "Sec. 8. Section five hundred thirty-six point thirteen (536.13),
4 Code 1962, is hereby amended by striking all of line one (1) of
5 subsection four (4) thereof and by inserting in lieu thereof the
6 following: 'Beginning July 4, 1965, and until such', and by
7 striking the period at the end of subsection four (4) and in-
8 serting a comma in lieu thereof and adding thereto the following:
9 'but not exceeding seven hundred (700) dollars, and one (1) per
10 cent per month on any part of the unpaid principal balance of the
11 loan in excess of seven hundred (700) dollars.'"

Filed
March 31, 1965.

Adopted 4/7 Senate concurred 4/2
GANNON of Jasper.

SENATE FILE 146

1 Amend Senate File 146 as follows:
2 1. By striking section one (1) and inserting in lieu
3 thereof the following:
4 "Section five hundred thirty-five point six (535.6),
5 Code 1962, is hereby amended by adding thereto the following:
6 'Provided, however, this section shall not apply to lawful
7 loans under chapter five hundred thirty-six (536) of the Code."
8 2. By adding to section ten (10) the following paragraph:
9 "In all cases the loan contract shall show the total
10 interest to be paid in stated dollar amount, or in terms of
11 simple annual interest, which shall be separately stated
12 immediately after the stated figure of the principal in such
13 loan contract."
14 3. By adding after the word "partial" in line seventy-eight
15 (78) of section ten (10) the word "installment".
16 4. By striking in lines seventy-eight (78), seventy-nine (79),
17 and eighty (80) of section ten (10) the words: "No rebate of
18 less than one (1) dollar need be made. Acceleration of the
19 maturity of the contract shall not in itself require a rebate."
20 5. By adding to section ten (10) the following new sub-
21 section:
22 "The default and deferment charges and rebates referred to
23 herein are computed on the interest rates authorized herein and
24 such terms shall not be construed to authorize charges incident
25 to the loan of money, beyond the rates of interest authorized herein
26 and for the periods of time authorized in subsection seven (7)
27 of section five hundred thirty-six point thirteen (536.13)
28 of the Code."
29 6. By striking section thirteen (13) and inserting in lieu
30 thereof the following:
31 "Sec. 13. Section five hundred thirty-six point fourteen
32 (536.14), Code 1962, is hereby amended by adding the following
33 new sentence at the end of subsection one (1):
34 "When the loan is made pursuant to subsection seven (7) of
35 section five hundred thirty-six point thirteen (536.13) of the Code, the
36 statement shall also contain a notice that default and deferment
37 charges may be made and that a rebate of unearned interest may
38 be made if the loan is prepaid prior to maturity."
39 7. By striking lines twenty-four (24) through thirty (30)
40 of section fifteen (15) and inserting in lieu thereof the
41 following:
42 "The premium, which shall be the only charge for such insur-
43 ance, shall not exceed that approved by the commissioner of in-
44 surance of the state of Iowa as filed in the office of such com-
45 missioner. Such charge, computed at the time the loan is made
46 for the full term of the loan contract on the total amount re-
47 quired to pay principal and interest, shall be stated separately
48 in the contract and in the same location in such contract as are
49 the statements of the principal and interest of the loan."
50 8. By striking from lines thirty-five (35) and thirty-six (36)
51 of section fifteen (15) the words "certificate, or other
52 evidence thereof."
53 9. By striking from line forty-four (44) of section fifteen
54 (15) the words "or identifiable charge".

Filed
April 6, 1965.

Adopted 4/7 Senate concurred 4/9
DENATO of Polk.