

See Commerce 4/9, Pass 4/18

FILED MAR 12 1975

SENATE FILE 308

By COMMITTEE ON COMMERCE

Passed Senate, Date 4-4-75(826) Passed House, Date 6-9-75(2241)

Vote: Ayes 43 Nays 1 Vote: Ayes 91 Nays 0

Approved 7-3

*Repassed Senate as amended by House*  
6-11-75 (1897)  
44-3

# A BILL FOR

1 An Act relating to the definition of finance charge in consumer  
2 credit transactions and providing an exception thereto.

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

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1 Section 1. Section five hundred thirty-seven point one  
2 thousand three hundred one (537.1301), subsection twenty (20),  
3 paragraph a, subparagraph one (1), Code 1975, is amended to  
4 read as follows:

5 (1) Interest or any amount payable under a point, discount  
6 or other system of charges, however denominated, except that,  
7 with respect to a consumer loan secured by a first lien on  
8 a dwelling of the debtor given to finance the acquisition  
9 of that dwelling, points, consisting of a charge paid in cash  
10 at the time of commitment or closing of a loan transaction,  
11 and, with respect to a consumer credit sale of goods or  
12 services, a cash discount of five percent or less of the  
13 stated price of goods or services which is offered to the  
14 consumer for payment by cash, check or the like either  
15 immediately or within a period of time shall not be part of  
16 the finance charge for the purpose of determining maximum  
17 charges pursuant to section 537.2401 and chapters 524, 534,  
18 and 535. A cash discount permitted by this subparagraph shall  
19 not be considered part of the finance charge for the purpose  
20 of determining compliance with Truth in Lending pursuant to  
21 section five hundred thirty-seven point three thousand two  
22 hundred one (537.3201) of the Code if it is properly disclosed  
23 as required by the Truth in Lending Act as amended to and  
24 including October 28, 1975 and regulations issued pursuant  
25 to that Act as so amended prior to October 28, 1975.

26 Sec. 2. The provisions of this Act shall become effective  
27 October 28, 1975.

28 EXPLANATION

29 This bill permits the offering of a 5% cash discount to  
30 customers who pay promptly. The Iowa Consumer Credit Code,  
31 as presently written, forbids this practice of long standing  
32 in the agricultural community. In addition, this bill updates  
33 the Iowa Truth in Lending Act so as to permit charging the  
34 cash discount without violating that Act. Cash discounts  
35 are already permitted by federal Truth in Lending in closed

1 end credit and will be permitted in sales transactions pursuant  
2 to open end credit after October 28, 1975 if a credit card  
3 is not used. The Federal Reserve Board is now preparing  
4 regulations which will become effective October 28, 1975,  
5 and which will provide for the conspicuous disclosure of the  
6 cash discount to all customers. This bill would incorporate  
7 these regulations into the Iowa Truth in Lending Act by  
8 reference, as has already been done in the Iowa Consumer  
9 Credit Code for regulations issued prior to July 1, 1974.  
10 Unless the Iowa Truth in Lending Act is conformed to the  
11 federal law (as this bill would do), providing that a cash  
12 discount is not part of the finance charge for rate ceiling  
13 purposes will not help any creditor who extends open end  
14 credit--as do most agricultural businesses today.

15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

LSB 1680  
lb/rh/31

H-3607

1 Amend Senate File 308 as follows:  
2 1. Page 1, by inserting after line 25 the  
3 following:  
4 "Sec. \_\_\_\_\_. Section five hundred thirty-five  
5 point two (535.2), subsection two (2), Code 1975,  
6 is amended to read as follows:  
7 2. Any domestic or foreign corporation or real  
8 estate investment trust as defined in section 856  
9 of the Internal Revenue Code, and any person  
10 borrowing money in the principal amount of twenty-  
11 five thousand dollars or more for a business  
12 purpose, and any person borrowing money in the  
13 principal amount of thirty-five thousand dollars  
14 or more for an agricultural purpose, may agree in  
15 writing to pay any rate of interest in excess of  
16 the rate prescribed in subsection 1 hereof, and  
17 no such corporation-or-real-estate-investment  
18 trust person so agreeing in writing shall plead or  
19 interpose the claim or defense of usury in any  
20 action or proceeding."  
21 2. Amend the title by striking lines 1 and 2  
22 and inserting in lieu thereof the following:  
23 "An Act relating to finance charges."

H-3607 FILED - *Withdrawn 6/9 (2240)*  
APRIL 21, 1975

BY HENNESSEY of Delaware

Senate File 308

H-3621

1 Amend Senate File 308 as follows:  
2 1. Page 1, by inserting after line 25 the  
3 following:  
4 "Sec. \_\_\_\_\_. Section five hundred thirty-five  
5 point two (535.2), subsection two (2), Code 1975,  
6 is amended to read as follows:  
7 2. Any domestic or foreign corporation or real  
8 estate investment trust as defined in section 856  
9 of the Internal Revenue Code, and any person  
10 borrowing money in the principal amount of twenty-  
11 five thousand dollars or more for a business  
12 purpose, and any person borrowing money in the  
13 principal amount of thirty-five thousand dollars  
14 or more for an agricultural purpose, may agree in  
15 writing to pay any rate of interest in excess of  
16 the rate prescribed in subsection 1 hereof, and  
17 no such corporation or real estate investment trust  
18 or person so agreeing in writing shall plead or  
19 interpose the claim or defense of usury in any  
20 action or proceeding."  
21 2. Amend the title by striking lines 1 and 2  
22 and inserting in lieu thereof the following:  
23 "An Act relating to finance charges."

H-3621 FILED - *Not germane 6/9 (2240)* BY HENNESSEY of Delaware  
APRIL 22, 1975 *Motion to suspend* PELLETT of Cass  
*rule last 6/9 (2241)* STEPHENS of Plymouth

Senate File 308

H-3990

- 1 Amend Senate File 308 as passed by the Senate as
- 2 follows:
- 3 1. Page 1, line 11, by striking "and" and in-
- 4 serting in lieu thereof "or".
- 5 2. Page 1, line 15, by inserting after "time"
- 6 the figure "1".

H-3990 FILED - *Adopted 6/9 (2240)*  
MAY 29, 1975

BY WALTER of Pottawattamie

---

HOUSE AMENDMENT TO SENATE FILE 308

S-4096

- 1 Amend Senate File 308 as passed by the Senate
- 2 as follows:
- 3 1. Page 1, line 11, by striking "and" and in-
- 4 serting in lieu thereof "or".
- 5 2. Page 1, line 15, by inserting after "time"
- 6 the figure "1".

S-4096 FILED  
JUNE 9, 1975

RECEIVED FROM THE HOUSE

*Senate concurred 6/11 (1897)*

SENATE FILE 308

Sec. 2. The provisions of this Act shall become effective  
October 28, 1975.

AN ACT

RELATING TO THE DEFINITION OF FINANCE CHARGE IN CONSUMER  
CREDIT TRANSACTIONS AND PROVIDING AN EXCEPTION THERETO.

\_\_\_\_\_  
ARTHUR A. NEU  
President of the Senate

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

\_\_\_\_\_  
DALE M. COCHRAN  
Speaker of the House

I hereby certify that this bill originated in the Senate and  
is known as Senate File 308, Sixty-sixth General Assembly.

Section 1. Section five hundred thirty-seven point one  
thousand three hundred one (537.1301), subsection twenty (20),  
paragraph a, subparagraph one (1), Code 1975, is amended to  
read as follows:

(1) Interest or any amount payable under a point, discount  
or other system of charges, however denominated, except that,  
with respect to a consumer loan secured by a first lien on  
a dwelling of the debtor given to finance the acquisition  
of that dwelling, points, consisting of a charge paid in cash  
at the time of commitment or closing of a loan transaction,  
or, 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, shall not be part  
of the finance charge for the purpose of determining maximum  
charges pursuant to section 537.2401 and chapters 524, 534,  
and 535. A cash discount permitted by this subparagraph shall  
not be considered part of the finance charge for the purpose  
of determining compliance with Truth in Lending pursuant to  
section five hundred thirty-seven point three thousand two  
hundred one (537.3201) of the Code if it is properly disclosed  
as required by the Truth in Lending Act as amended to and  
including October 28, 1975 and regulations issued pursuant  
to that Act as so amended prior to October 28, 1975.

\_\_\_\_\_  
CLARK R. RASMUSSEN  
Secretary of the Senate

Approved July 3, 1975

\_\_\_\_\_  
ROBERT D. RAY  
Governor