

Reprinted 4/2/85

MAR 12 1985

Place On Calendar

HOUSE FILE 556

BY COMMITTEE ON SMALL BUSINESS
AND COMMERCE

(Formerly House Study Bill 48)

Passed House, Date 4-1-85 (p. 1235) Passed Senate, Date 4-16-85
Vote: Ayes 82 Nays 16 Vote: Ayes 47 Nays 0
Approved May 20, 1985

A BILL FOR

1 An Act relating to chattel loans by providing a short title
2 to chapter 536, increasing the maximum amount of a
3 regulated loan from two thousand to twenty-five thousand
4 dollars, permitting a licensee to sell property insurance
5 to borrowers on property owned by the borrowers, modi-
6 fying the penalty if a licensee charges excessive interest
7 or other charges, and repealing a requirement that an
8 applicant for a loan shall report other installment loans
9 that the applicant may have.

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

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HF 556

1 Section 1. Section 533A.2, subsection 1, paragraph b, Code
2 1985, is amended to read as follows:

3 b. Banks, savings and loan associations, insurance
4 companies and similar fiduciaries, ~~chattel~~ regulated loan
5 companies licensed under chapter 536 and industrial loan
6 companies licensed under chapter 536A, ~~as-duly-licensed-in~~
7 ~~Iowa-by-law~~, authorized and admitted to transact business in
8 this state and performing credit and financial adjusting in
9 the regular course of their principal business, or while
10 performing an escrow function.

11 Sec. 2. Section 536.1, Code 1985, is amended to read as
12 follows:

13 536.1 TITLE -- LICENSE AND RIGHTS THEREUNDER----FACE-TO-
14 FACE-SOLICITATION REQUIRED.

15 1. This chapter may be referred to as the "Iowa Regulated
16 Loan Act".

17 2. With respect to a loan other than a consumer loan, no a
18 person, copartnership, association, or corporation shall not
19 engage in the business of making loans of money, credit,
20 goods, or things in action in the amount or of the value of
21 two twenty-five thousand dollars or less and charge, contract
22 for, or receive on any such the loan a greater rate of
23 interest or consideration therefor for the loan than the
24 lender would be permitted by law to charge if the lender were
25 not a licensee hereunder under this chapter except as
26 authorized by this chapter and without first obtaining a
27 license from the superintendent of banking, hereinafter-called
28 the-superintendent.

29 3. With respect to a consumer loan, a person required by
30 section 537.2301 to have a license shall not engage in the
31 business of making loans of money, credit, goods or things in
32 action in the amount or value of two twenty-five thousand
33 dollars or less and charge, contract for, or receive on any
34 such the loan a greater rate of interest or consideration
35 therefor for the loan than the lender would be permitted by

1 law to charge if the lender were not a licensee hereunder
 2 under this chapter, except as authorized by this chapter and
 3 without first obtaining a license from the superintendent.

4 4. A person who enters into less than ten supervised loans
 5 per year in this state and who neither has an office
 6 physically located in this state nor engages in face-to-face
 7 solicitation in this state may contract for and receive the
 8 rate of interest permitted in this chapter for licensees
 9 hereunder under this chapter. A "consumer loan" ~~shall be~~
 10 means the same as defined in section 537.1301.

11 Sec. 3. Section 536.10, unnumbered paragraph 3, Code 1985,
 12 is amended to read as follows:

13 Every A licensee subject to examination, supervision and
 14 regulation by the superintendent, shall pay to the
 15 superintendent an examination fee, based on the actual cost of
 16 the operation of the ~~small~~ regulated loan division of the
 17 department of banking, and the proportionate share of
 18 administrative expenses in the operation of the department of
 19 banking attributable to the ~~small~~ regulated loan division as
 20 determined by the superintendent of banking. ~~Such~~ The fee
 21 shall apply equally to all licenses and shall not be changed
 22 more frequently than annually and when changed, shall be
 23 effective on January 1 of the year following the year in which
 24 the change is approved.

25 Sec. 4. Section 536.13, Code 1985, is amended to read as
 26 follows:

27 536.13 BANKING BOARD -- REPORT -- ADDITIONAL RESTRICTIONS.

28 1. ~~It shall be the duty of the~~ The state banking board,
 29 ~~hereinafter called the board, and it shall have power,~~
 30 ~~jurisdiction, and authority, from time to time to~~ may
 31 investigate the conditions and find the facts with reference
 32 to the business of making ~~small~~ regulated loans, as described
 33 in section 536.17, ~~hereinafter referred to as small loans,~~ and
 34 after making ~~such~~ the investigation, report in writing their
 35 its findings to the next regular session of the general

1 assembly, and upon the basis of ~~such~~ the facts:

2 a. ~~To-classify-small~~ Classify regulated loans by a
3 regulation according to ~~such~~ a system of differentiation ~~as~~
4 which will reasonably distinguish ~~such~~ the classes of loans
5 for the purposes of this chapter, ~~and~~.

6 b. ~~To-determine~~ Determine and fix by a ~~regulation-such~~
7 rule the maximum rate of interest or charges upon each ~~such~~
8 class of ~~small~~ regulated loans ~~as~~ which will induce
9 efficiently managed commercial capital to enter ~~such~~ the
10 business in sufficient amounts to make available adequate
11 credit facilities to individuals ~~without-the-security-or~~
12 ~~financial-responsibility-usually-required-by-banks~~. ~~Such~~ The
13 maximum rate of interest or charge shall be stated by the
14 board as an annual percentage rate calculated according to the
15 actuarial method and applied to the unpaid balances of the
16 amount financed.

2559, 3525 17 2. The board may ~~from-time-to-time, commencing-March-17~~
18 ~~1935,~~ redetermine and refix by a ~~regulation~~ rule, in
19 accordance with subsection 1 above, any maximum rate of
20 interest or charges previously fixed by it, but ~~such~~ the
21 changed maximum rates shall not affect pre-existing loan
22 contracts lawfully entered into between ~~any~~ a licensee and ~~any~~
23 a borrower, ~~all-regulations~~. All rules which the board may
24 make respecting rates of interest or charges shall ~~fix-and~~
25 contain state the effective date ~~thereof~~ of the rules, which
26 shall not be earlier than thirty days after notice to each
27 licensee by mailing ~~such~~ the notice to each licensed place of
28 business.

29 3. Before fixing any classification of ~~small~~ regulated
30 loans or any maximum rate of interest or charges, or changing
31 ~~any-such~~ a classification or rate under authority of this
32 section, the board shall give reasonable notice of its
33 intention to consider doing so to all licensees and a
34 reasonable opportunity to be heard ~~thereon~~ and to introduce
35 evidence with respect ~~thereto~~ to the change or classification.

1 4. Beginning July 4, 1965, and until such time as a
2 different rate is fixed by the board, the maximum rate of
3 interest or charges upon such the class or classes of small
4 regulated loans shall-be is three percent per month on any
5 part of the unpaid principal balance of the loan not exceeding
6 one hundred fifty dollars and two percent per month on any
7 part of the loan in excess of one hundred fifty dollars, but
8 not exceeding three hundred dollars, and one and one-half
9 percent per month on any part of the unpaid principal balance
10 of the loan in excess of three hundred dollars, but not
11 exceeding seven hundred dollars, and one percent per month on
12 any part of the unpaid principal balance of the loan in excess
13 of seven hundred dollars.

14 5. Every A licensee hereunder under this chapter may lend
15 any sum of money not exceeding two twenty-five thousand
16 dollars in amount and may charge, contract for, and receive
17 thereon on the loan interest or charges at a rate not
18 exceeding the maximum rate of interest or charges determined
19 and fixed by the board under authority of this section or-by
20 ~~the provisions of the preceding subsection 4.~~

21 6. ~~The following provision shall apply to all loans~~
22 ~~including consumer loans made by a licensee hereunder:~~ If any
23 interest or charge on a loan regulated by this chapter in
24 excess of those permitted by this chapter are is charged,
25 contracted for, or received, the contract of loan shall-be is
26 void as to interest and charges and the licensee shall-have
27 has no right to collect or receive any principal, interest or
28 charges whatsoever.

29 ~~The provisions of the Iowa consumer credit code shall~~
30 apply, chapter 537, applies to a consumer loan in which the
31 licensee participates or engages, and any a violation of the
32 Iowa consumer credit code shall-be is a violation of this
33 chapter.

34 Article 2, parts 3, 5 and 6 of chapter 537, and article 3
35 of chapter 537, sections 537.3203, 537.3206, 537.3209,

1 537.3304, 537.3305 and 537.3306 shall apply to any credit
2 transaction, as defined in section 537.1301 in which a
3 licensee participates or engages, and any violation of those
4 parts or sections shall-be is a violation of this chapter.
5 For the purpose of applying ~~the-provisions-of~~ the Iowa
6 consumer credit code to those credit transactions, "consumer
7 loan" shall-include includes a loan for a business purpose.

8 A provision of the Iowa consumer credit code applicable to
9 loans regulated by this chapter shall-supersede supersedes a
10 conflicting provision of this chapter. However, section
11 536.30 is not superseded by the Iowa consumer credit code.

12 Sec. 5. Section 536.15, Code 1985, is amended to read as
13 follows:

14 536.15 USURY -- LIMITATION ON PRINCIPAL LOAN.

15 No A licensee shall not directly or indirectly charge,
16 contract for, or receive any interest or consideration greater
17 than the lender would be permitted by law to charge if the
18 lender were not a licensee hereunder upon the loan, use, or
19 forbearance of money, goods, or things in action, or upon the
20 loan, use, or sale of credit, of the amount or value of more
21 than two twenty-five thousand dollars. ~~The-foregoing~~
22 prohibition-shall This section also apply applies to any a
23 licensee who permits any a person, as borrower or as endorser,
24 guarantor, or surety for any a borrower, or otherwise, to owe
25 directly or contingently or both to the licensee at any time
26 the sum of more than two twenty-five thousand dollars for
27 principal.

28 Sec. 6. Section 536.26, unnumbered paragraph 1, Code 1985,
29 is amended to read as follows:

30 No A licensee shall not, directly or indirectly, sell or
31 offer for sale any life, or accident and health insurance in
32 connection with any a loan made under this chapter except as
33 and to the extent authorized by this section. Life, accident
34 and health insurance, or any of them, may be written by a
35 licensed insurance agent upon or in connection with any loan

1 for a term not extending beyond the final maturity date of the
2 loan contract but only upon one obligor on any one loan
3 contract.

4 Sec. 7. Section 536.28, Code 1985, is amended by adding
5 the following new subsections:

6 NEW SUBSECTION. 3. "Board" means the state banking board.

7 NEW SUBSECTION. 4. "Consumer loan" means a loan as de-
8 fined in section 537.1301.

9 NEW SUBSECTION. 5. "Superintendent" means the state su-
10 perintendent of banking.

11 Sec. 8. NEW SECTION. 536.30 INSURANCE RELATED TO PROP-
12 ERTY OF BORROWER.

13 A licensee may sell the borrower insurance against loss of
14 or damage to property owned by the borrower or loss from lia-
15 bility arising out of the ownership or use of property owned
16 by the borrower, subject to the requirements of 537.2501.

17 Sec. 9. Section 536A.5, Code 1985, is amended by striking
18 the section and inserting in lieu thereof the following:

19 536A.5 EXEMPTIONS.

20 This chapter does not apply to any of the following:

21 1. Businesses organized or operating as permitted under
22 the authority of a law of this state or the United States re-
23 lating to banks, trust companies, building and loan associa-
24 tions, savings and loan associations, insurance companies,
25 regulated loan companies organized under chapter 536, or
26 credit unions.

27 2. Persons that make loans only on notes secured by first
28 mortgages on real estate.

29 3. Licensed real estate brokers or salespersons.

30 4. A person engaged exclusively in the business of
31 purchasing commodity financing or commercial paper.

32 5. A pawnbroker.

33 6. A person engaged in the mercantile business.

34 7. Loans made to a domestic or foreign corporation.

35 Sec. 10. Section 536.25, Code 1985, is repealed.

EXPLANATION

1
2 This bill makes several changes to chapter 536 relating to
3 chattel loans. A short title of the "Iowa Regulated Loan Act"
4 is given to the chapter. References to "small loans" have
5 been changed to "regulated loans". The maximum amount of a
6 loan under the chapter would be increased from two thousand
7 dollars to twenty-five thousand dollars. The bill also
8 permits a licensee to sell certain types of property insurance
9 to borrowers on property owned by the borrower, permits a
10 licensee to collect the principal of a loan even if the
11 interest rate or other charges are in excess of that
12 permitted, and repeals a section requiring an applicant for a
13 loan to report all other installment loans the applicant might
14 have.

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HOUSE FILE 556

H-3559

1 Amend House File 556 as follows:

2 1. Page 3, line 17, by striking the word "The"
3 and inserting the following: "The Except as provided
4 in subsection 7, the".

5 2. Page 4, line 28, by inserting after the word
6 "whatsoever." the following: "In addition, the
7 licensee shall forfeit eight percent of the remaining
8 balance of the principal that is unpaid at the time
9 the judgment is rendered. The amount forfeited shall
10 be deposited in the school fund of the county in which
11 the action is brought."

12 3. Page 4, line 20, by inserting after the number
13 "4" the following: "or pursuant to subsection 7 for
14 those amounts in excess of five thousand dollars".

15 4. Page 4, by inserting after line 28 the
16 following:

17 "7. The board may establish the maximum rate of
18 interest as permitted under this chapter for those
19 loans whose principal is five thousand dollars or
20 less. For those loans whose principal is over five
21 thousand dollars, the interest rate ceiling
22 established under chapter 535, 537, or any other
23 applicable chapter shall apply."

24 5. Page 5, by striking lines 10 and 11 and
25 inserting the following: "conflicting provision of
26 this chapter."

27 6. Page 5, by inserting after line 27 the
28 following:

29 "Sec. ____ . Section 536.25, Code 1985, is amended
30 to read as follows:

31 536.25 STATEMENT OF OTHER LOANS BY BORROWER.

32 Every A licensee when making a loan hereunder under
33 this chapter shall require a statement in writing from
34 each applicant setting forth a description of all
35 installment indebtedness of such the applicant by
36 giving the amount of each such loan and the name of
37 the lender. The applicant may orally disclose the
38 information and the licensee shall write down the
39 information, and the applicant shall subsequently sign
40 the statement."

41 7. Page 6, by striking line 16 and inserting the
42 following: "by the borrower. When the transaction is
43 a consumer credit transaction as defined in section
44 537.1301 the sale of property insurance is subject to
45 the requirements of sections 537.2501 and 537.2510 and
46 the rules adopted under those sections by the
47 administrator of the Iowa consumer credit code."

48 8. Page 6, by striking line 35.

49 9. Renumber as necessary.

BY HOLVECK of Polk

VAN CAMP of Scott

H-3559 FILED MARCH 29, 1985

Adopted 4/1/85 (p. 1234)

HOUSE FILE 556

H-3416

Amend House File 556 as follows:

1. Page 6, by striking lines 13 through 16 and inserting the following:
"A licensee may sell the borrower insurance against loss of or damage to property owned by the borrower or loss from liability arising out of the ownership or use of property owned by the borrower. The insurance shall be sold at premium rates approved by the insurance department. In selling the insurance, the licensee shall furnish to the borrower a clear, conspicuous, and specific statement in writing setting forth the cost of the insurance and stating that the borrower may choose the person through whom the insurance is to be obtained."

H-3416 FILED MARCH 22, 1985 BY SKOW of Guthrie

W/S 4/1/85 (p. 1234)

HOUSE FILE 556

H-3525

Amend House File 556 as follows:

1. Page 3, line 17, by striking the word "The" and inserting the following: "The Except as provided in subsection 7, the".
2. Page 4, line 20, by inserting after the number "4" the following: "or pursuant to subsection 7 for those amounts in excess of ten thousand dollars".
3. Page 4, line 28, by inserting after the word "whatsoever." the following: "In addition, the licensee shall forfeit the right to collect the lesser of two thousand dollars of principal of the loan or the total amount of the principal of the loan."
4. Page 4, by inserting after line 28 the following:
"7. The board may establish the maximum rate of interest or charges as permitted under this chapter for those loans whose unpaid principal balance is ten thousand dollars or less. For those loans whose unpaid principal balance is over ten thousand dollars, the maximum rate of interest or charges which a licensee may charge shall be the greater of the rate permitted by chapter 535 or the rate authorized for supervised financial organizations by chapter 537."
5. Page 6, by striking lines 13 through 16 and inserting the following:
"A licensee may sell the borrower insurance against loss of or damage to property owned by the borrower or loss from liability arising out of the ownership or use of property owned by the borrower. The insurance shall be sold at premium rates approved by the insurance department. In selling the insurance, the licensee shall furnish to the borrower a clear, conspicuous, and specific statement in writing setting forth the cost of the insurance and stating that the borrower may choose the person through whom the insurance is to be obtained."

H-3525 FILED MARCH 28, 1985 BY SKOW of Guthrie

Law 4/1 (p. 1233)

PAGE THIRTY-TWO, APRIL 2, 1985 HOUSE CLIP SHEET

HOUSE FILE 556

H-3574

- 1 Amend House File 556 as follows:
2 1. Title page, line 3, by striking the word
3 "twenty-five" and inserting the word "ten".
4 2. Title page, line 7, by striking the word
5 "repealing" and inserting the word "modifying".

H-3574 FILED APRIL 1, 1985 BY SKOW of Guthrie
ADOPTED BY UNANIMOUS CONSENT

(p. 1225)

HOUSE FILE 556

H-3566

- 1 Amend amendment H-3525 to House File 556 as
2 follows:
3 1. Page 1, line 34, by striking the words
4 "insurance and" and inserting the following:
5 "insurance,".
6 2. Page 1, line 36, by inserting after the word
7 "obtained" the following: "and stating that the
8 insurance is not required as a condition of obtaining
9 the loan".

H-3566 FILED APRIL 1, 1985 BY SWARTZ of Marshall
ADOPTED, THEN PLACED OUT OF ORDER

(p. 1231)

(p. 1233)

HOUSE FILE 556

H-3572

1 Amend amendment H-3525 to House File 556 as
2 follows:

3 1. Page 1, line 7, by striking the word "ten" and
4 inserting the following: "five".

5 2. Page 1, by striking lines 13 through 23 and
6 inserting the following:

7 " . Page 4, by inserting after line 28 the
8 following:

9 "7. The board may establish the maximum rate of
10 interest as permitted under this chapter for those
11 loans whose principal is five thousand dollars or
12 less. For those loans whose principal is over five
13 thousand dollars, the interest rate ceiling
14 established under chapter 535, 537, or any other
15 applicable chapter shall apply."

16 3. Page 1, by inserting after line 23 the
17 following:

18 " . Page 5, by striking lines 10 and 11 and
19 inserting the following: "conflicting provision of
20 this chapter."

21 4. Page 1, by inserting after line 23 the
22 following:

23 " . Page 5, by inserting after line 27 the
24 following:

25 "Sec. . Section 536.25, Code 1985, is amended
26 to read as follows:

27 536.25 STATEMENT OF OTHER LOANS BY BORROWER.

28 Every A licensee when making a loan hereunder under
29 this chapter shall require a statement in writing from
30 each applicant setting forth a description of all
31 installment indebtedness of such the applicant by
32 giving the amount of each such loan and the name of
33 the lender. The applicant may orally disclose the
34 information and the licensee shall write down the
35 information, and the applicant shall subsequently sign
36 the statement."

37 5. Page 1, by striking lines 24 through 36 and
38 inserting the following:

39 " . Page 6, by striking line 16 and inserting
40 the following: "by the borrower. When the
41 transaction is a consumer credit transaction as
42 defined in section 537.1301 the sale of property
43 insurance is subject to the requirements of sections
44 537.2501 and 537.2510 and the rules adopted under
45 those sections by the administrator of the Iowa
46 consumer credit code."

47 6. Page 1, by inserting after line 36 the
48 following:

49 " . Page 6, by striking line 35."

50 7. Renumber as necessary.

BY HOLVECK of Polk

HOUSE FILE 556

BY COMMITTEE ON SMALL BUSINESS
AND COMMERCE

(As Amended and Passed by the House April 1, 1985)

Substituted for H.F. 544 4-9-85

Re Passed House, Date 4-26-85 (p. 1926) Passed Senate, Date 4-16-85 (p. 1409)

Vote: Ayes 82 Nays 13 Vote: Ayes 47 Nays 0

Approved May 20, 1985

A BILL FOR

1 An Act relating to chattel loans by providing a short title
2 to chapter 536, increasing the maximum amount of a
3 regulated loan from two thousand to ten thousand dollars,
4 permitting a licensee to sell property insurance
5 to borrowers on property owned by the borrowers, modi-
6 fying the penalty if a licensee charges excessive interest
7 or other charges, and modifying a requirement that an
8 applicant for a loan shall report other installment loans
9 that the applicant may have.

10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
S-3673 HOUSE FILE 556

1 Amend House File 556 as amended, passed, and
2 reprinted by the House as follows:
3 1. Title page, line 3, by striking the word "ten"
4 and inserting the following: "twenty-five".

S-3673 Filed April 9, 1985 By GRONSTAL

Adopted 4/16/85 (p. 1409)

SENATE AMENDMENT TO HOUSE FILE 556

H-3893

1 Amend House File 556 as amended, passed, and
2 reprinted by the House as follows:
3 1. Title page, line 3, by striking the word "ten"
4 and inserting the following: "twenty-five".

H-3893 FILED APRIL 18, 1985 RECEIVED FROM THE SENATE

House concurred 4/26/85 (p. 1926)

1 Section 1. Section 533A.2, subsection 1, paragraph b, Code
2 1985, is amended to read as follows:

3 b. Banks, savings and loan associations, insurance
4 companies and similar fiduciaries, ~~charter~~ regulated loan
5 companies licensed under chapter 536 and industrial loan
6 companies licensed under chapter 536A, ~~as-duly-licensed-in~~
7 ~~Iowa-by-law~~, authorized and admitted to transact business in
8 this state and performing credit and financial adjusting in
9 the regular course of their principal business, or while
10 performing an escrow function.

11 Sec. 2. Section 536.1, Code 1985, is amended to read as
12 follows:

13 536.1 TITLE -- LICENSE AND RIGHTS-THEREUNDER---- ~~FACE-TO-~~
14 ~~FACE-SOLICITATION~~ REQUIRED.

15 1. This chapter may be referred to as the "Iowa Regulated
16 Loan Act".

17 2. With respect to a loan other than a consumer loan, no a
18 person, copartnership, association, or corporation shall not
19 engage in the business of making loans of money, credit,
20 goods, or things in action in the amount or of the value of
21 two twenty-five thousand dollars or less and charge, contract
22 for, or receive on any such the loan a greater rate of
23 interest or consideration therefor for the loan than the
24 lender would be permitted by law to charge if the lender were
25 not a licensee hereunder under this chapter except as
26 authorized by this chapter and without first obtaining a
27 license from the superintendent of banking, hereinafter called
28 the superintendent.

29 3. With respect to a consumer loan, a person required by
30 section 537.2301 to have a license shall not engage in the
31 business of making loans of money, credit, goods or things in
32 action in the amount or value of two twenty-five thousand
33 dollars or less and charge, contract for, or receive on any
34 such the loan a greater rate of interest or consideration
35 therefor for the loan than the lender would be permitted by

1 law to charge if the lender were not a licensee hereunder
2 under this chapter, except as authorized by this chapter and
3 without first obtaining a license from the superintendent.

4 4. A person who enters into less than ten supervised loans
5 per year in this state and who neither has an office
6 physically located in this state nor engages in face-to-face
7 solicitation in this state may contract for and receive the
8 rate of interest permitted in this chapter for licensees
9 hereunder under this chapter. A "consumer loan" ~~shall be~~
10 means the same as defined in section 537.1301.

11 Sec. 3. Section 536.10, unnumbered paragraph 3, Code 1985,
12 is amended to read as follows:

13 Every A licensee subject to examination, supervision and
14 regulation by the superintendent, shall pay to the
15 superintendent an examination fee, based on the actual cost of
16 the operation of the ~~small~~ regulated loan division of the
17 department of banking, and the proportionate share of
18 administrative expenses in the operation of the department of
19 banking attributable to the ~~small~~ regulated loan division as
20 determined by the superintendent of banking. ~~Such~~ The fee
21 shall apply equally to all licenses and shall not be changed
22 more frequently than annually and when changed, shall be
23 effective on January 1 of the year following the year in which
24 the change is approved.

25 Sec. 4. Section 536.13, Code 1985, is amended to read as
26 follows:

27 536.13 BANKING BOARD -- REPORT -- ADDITIONAL RESTRICTIONS.

28 ~~1. It shall be the duty of the~~ The state banking board,
29 ~~hereinafter called the board, and it shall have power,~~
30 ~~jurisdiction, and authority, from time to time to~~ may
31 investigate the conditions and find the facts with reference
32 to the business of making ~~small~~ regulated loans, as described
33 in section 536.17 ~~hereinafter referred to as small loans,~~ and
34 after making ~~such~~ the investigation, report in writing ~~their~~
35 its findings to the next regular session of the general

1 assembly, and upon the basis of ~~such~~ the facts:

2 a. ~~To-classify-small~~ Classify regulated loans by a
3 regulation according to ~~such~~ a system of differentiation as
4 which will reasonably distinguish ~~such~~ the classes of loans
5 for the purposes of this chapter, ~~and.~~

6 b. ~~To-determine~~ Determine and fix by a regulation ~~such~~
7 rule the maximum rate of interest or charges upon each ~~such~~
8 class of ~~small~~ regulated loans ~~as~~ which will induce
9 efficiently managed commercial capital to enter ~~such~~ the
10 business in sufficient amounts to make available adequate
11 credit facilities to individuals ~~without-the-security-or~~
12 ~~financial-responsibility-usually-required-by-banks.~~ Such The
13 maximum rate of interest or charge shall be stated by the
14 board as an annual percentage rate calculated according to the
15 actuarial method and applied to the unpaid balances of the
16 amount financed.

17 2. The Except as provided in subsection 7, the board may
18 ~~from-time-to-time, commencing-March-17-1935,~~ redetermine and
19 refix by ~~a-regulation~~ rule, in accordance with subsection 1
20 above, any maximum rate of interest or charges previously
21 fixed by it, but ~~such~~ the changed maximum rates shall not
22 affect pre-existing loan contracts lawfully entered into
23 between any a licensee and any a borrower, ~~all-regulations.~~
24 All rules which the board may make respecting rates of
25 interest or charges shall ~~fix-and-contain~~ state the effective
26 date ~~thereof~~ of the rules, which shall not be earlier than
27 thirty days after notice to each licensee by mailing ~~such~~ the
28 notice to each licensed place of business.

29 3. Before fixing any classification of ~~small~~ regulated
30 loans or any maximum rate of interest or charges, or changing
31 ~~any-such~~ a classification or rate under authority of this
32 section, the board shall give reasonable notice of its
33 intention to consider doing so to all licensees and a
34 reasonable opportunity to be heard ~~thereon~~ and to introduce
35 evidence with respect ~~thereto~~ to the change or classification.

1 4. Beginning July 4, 1965, and until such time as a
2 different rate is fixed by the board, the maximum rate of
3 interest or charges upon ~~such~~ the class or classes of small
4 regulated loans shall be is three percent per month on any
5 part of the unpaid principal balance of the loan not exceeding
6 one hundred fifty dollars and two percent per month on any
7 part of the loan in excess of one hundred fifty dollars, but
8 not exceeding three hundred dollars, and one and one-half
9 percent per month on any part of the unpaid principal balance
10 of the loan in excess of three hundred dollars, but not
11 exceeding seven hundred dollars, and one percent per month on
12 any part of the unpaid principal balance of the loan in excess
13 of seven hundred dollars.

14 5. Every A licensee hereunder under this chapter may lend
15 any sum of money not exceeding two twenty-five thousand
16 dollars in amount and may charge, contract for, and receive
17 thereon on the loan interest or charges at a rate not
18 exceeding the maximum rate of interest or charges determined
19 and fixed by the board under authority of this section ~~or by~~
20 ~~the provisions of the preceding subsection 4~~ or pursuant to
21 subsection 7 for those amounts in excess of ten thousand
22 dollars.

23 6. ~~The following provision shall apply to all loans~~
24 ~~including consumer loans made by a licensee hereunder:~~ If any
25 interest or charge on a loan regulated by this chapter in
26 excess of those permitted by this chapter are is charged,
27 contracted for, or received, the contract of loan ~~shall be~~ is
28 void as to interest and charges and the licensee ~~shall have~~
29 has no right to collect or receive any principal, interest or
30 charges whatsoever. In addition, the licensee shall forfeit
31 the right to collect the lesser of two thousand dollars of
32 principal of the loan or the total amount of the principal of
33 the loan.

34 7. The board may establish the maximum rate of interest or
35 charges as permitted under this chapter for those loans whose

1 unpaid principal balance is ten thousand dollars or less. For
2 those loans whose unpaid principal balance is over ten
3 thousand dollars, the maximum rate of interest or charges
4 which a licensee may charge shall be the greater of the rate
5 permitted by chapter 535 or the rate authorized for supervised
6 financial organizations by chapter 537.

7 ~~The provisions of the~~ Iowa consumer credit code ~~shall~~
8 apply, chapter 537, applies to a consumer loan in which the
9 licensee participates or engages, and ~~any a~~ violation of the
10 Iowa consumer credit code ~~shall-be~~ is a violation of this
11 chapter.

12 Article 2, parts 3, 5 and 6 of chapter 537, and article 3
13 of chapter 537, sections 537.3203, 537.3206, 537.3209,
14 537.3304, 537.3305 and 537.3306 ~~shall~~ apply to any credit
15 transaction, as defined in section 537.1301 in which a
16 licensee participates or engages, and any violation of those
17 parts or sections ~~shall-be~~ is a violation of this chapter.

18 For the purpose of applying ~~the provisions of~~ the Iowa
19 consumer credit code to those credit transactions, "consumer
20 loan" ~~shall-include~~ includes a loan for a business purpose.

21 A provision of the Iowa consumer credit code applicable to
22 loans regulated by this chapter ~~shall-supersede~~ supersedes a
23 conflicting provision of this chapter.

24 Sec. 5. Section 536.15, Code 1985, is amended to read as
25 follows:

26 536.15 USURY -- LIMITATION ON PRINCIPAL LOAN.

27 No A licensee shall not directly or indirectly charge,
28 contract for, or receive any interest or consideration greater
29 than the lender would be permitted by law to charge if the
30 lender were not a licensee hereunder upon the loan, use, or
31 forbearance of money, goods, or things in action, or upon the
32 loan, use, or sale of credit, of the amount or value of more
33 than two twenty-five thousand dollars. ~~The foregoing~~
34 ~~prohibition shall~~ This section also apply applies to any a
35 licensee who permits any a person, as borrower or as endorser,

1 guarantor, or surety for any a borrower, or otherwise, to owe
2 directly or contingently or both to the licensee at any time
3 the sum of more than ~~two~~ twenty-five thousand dollars for
4 principal.

5 Sec. 6. Section 536.25, Code 1985, is amended to read as
6 follows:

7 536.25 STATEMENT OF OTHER LOANS BY BORROWER.

8 Every A licensee when making a loan hereunder under this
9 chapter shall require a statement in writing from each
10 applicant setting forth a description of all installment
11 indebtedness of such the applicant by giving the amount of
12 each such loan and the name of the lender. The applicant may
13 orally disclose the information and the licensee shall write
14 down the information, and the applicant shall subsequently
15 sign the statement.

16 Sec. 7. Section 536.26, unnumbered paragraph 1, Code 1985,
17 is amended to read as follows:

18 No A licensee shall not, directly or indirectly, sell or
19 offer for sale any life, or accident and health insurance in
20 connection with any a loan made under this chapter except as
21 and to the extent authorized by this section. Life, accident
22 and health insurance, or any of them, may be written by a
23 licensed insurance agent upon or in connection with any loan
24 for a term not extending beyond the final maturity date of the
25 loan contract but only upon one obligor on any one loan
26 contract.

27 Sec. 8. Section 536.28, Code 1985, is amended by adding
28 the following new subsections:

29 NEW SUBSECTION. 3. "Board" means the state banking board.

30 NEW SUBSECTION. 4. "Consumer loan" means a loan as de-
31 finied in section 537.1301.

32 NEW SUBSECTION. 5. "Superintendent" means the state su-
33 perintendent of banking.

34 Sec. 9. NEW SECTION. 536.30 INSURANCE RELATED TO PROP-
35 ERTY OF BORROWER.

1 A licensee may sell the borrower insurance against loss of
2 or damage to property owned by the borrower or loss from lia-
3 bility arising out of the ownership or use of property owned
4 by the borrower. When the transaction is a consumer credit
5 transaction as defined in section 537.1301 the sale of
6 property insurance is subject to the requirements of sections
7 537.2501 and 537.2510 and the rules adopted under those
8 sections by the administrator of the Iowa consumer credit
9 code.

10 Sec. 10. Section 536A.5, Code 1985, is amended by striking
11 the section and inserting in lieu thereof the following:

12 536A.5 EXEMPTIONS.

13 This chapter does not apply to any of the following:

14 1. Businesses organized or operating as permitted under
15 the authority of a law of this state or the United States re-
16 lating to banks, trust companies, building and loan associa-
17 tions, savings and loan associations, insurance companies,
18 regulated loan companies organized under chapter 536, or
19 credit unions.

20 2. Persons that make loans only on notes secured by first
21 mortgages on real estate.

22 3. Licensed real estate brokers or salespersons.

23 4. A person engaged exclusively in the business of
24 purchasing commodity financing or commercial paper.

25 5. A pawnbroker.

26 6. A person engaged in the mercantile business.

27 7. Loans made to a domestic or foreign corporation.

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Small Business and Commerce: Skow, Chair; Baxter and Kremer.

SMALL BUSINESS AND COMMERCE

MWB

HF 556

A BILL FOR

An Act to provide that chapter 536 of the Code be titled the "Iowa Regulated Loan Act" and to increase the maximum regulated loan that may be made under chapter 536 of the Code to \$25,000 and to allow for the sale of property insurance to borrowers on property owned by the borrowers, and to modify the voiding provision applicable to regulated loans and to repeal section 536.25 of the Code dealing with statements of other loans by the borrower and to make conforming amendments to sections 533A.2 and 536A.5 of the Code to reflect the new title of chapter 536 of the Code.

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

Section 1. NEW SECTION. TITLE. This chapter may be referred to as the "Iowa Regulated Loan Act."

Section 2. Section 536.1, Code 1985, is amended to read as follows:

536.1 LICENSE AND RIGHTS THEREUNDER-FACE-TO-FACE SOLICITATION.

With respect to a loan other than a consumer loan, no person, co-partnership, association, or corporation shall engage in the business of making loans of money, credit, goods, or things in action in the amount or of the value of two twenty-five thousand dollars or less and charge, contract for, or receive on any such loan a greater rate of interest or consideration therefor than the lender would be permitted by law to charge if he or she were not a licensee hereunder except as authorized by this chapter and without first obtaining a license from the superintendent of banking, hereinafter called the superintendent. With respect to a consumer loan, a person required by section 537.2301 to have a license shall not engage in the business of making loans of money, credit, goods or things in action

in the amount or value of ~~two~~ twenty-five thousand dollars or less and charge, contract for, or receive on any such loan a greater rate of interest or consideration therefor than the lender would be permitted by law to charge if he or she were not a licensee hereunder, except as authorized by this chapter and without first obtaining a license from the superintendent. A person who enters into less than ten supervised loans per year in this state and who neither has an office physically located in the state nor engages in face-to-face solicitation in this state may contract for and receive the rate of interest permitted in this chapter for licensees hereunder. A "consumer loan" shall be defined in section 537.1301.

Section 3. Section 536.10, unnumbered paragraph 3, Code 1985, is amended to read as follows:

Every licensee subject to examination, supervision and regulation by the superintendent, shall pay to the superintendent an examination fee, based on the actual cost of the operation of the ~~small~~ regulated loan division of the department of banking, and the proportionate share of administrative expenses in the operation of the department of banking attributable to the ~~small~~ regulated loan division as determined by the superintendent of banking. Such fee shall apply equally to all licenses and shall not be changed more frequently than annually and when changed, shall be effective on January 1 of the year following the year in which the change is approved.

Section 4. Section 536.13, Code 1985, is amended to read as follows:

536.13 BANKING BOARD-REPORT-ADDITIONAL RESTRICTIONS.

1. It shall be the duty of the state banking board, hereinafter called the board, and it shall have power, jurisdiction, and authority from time to time to investigate the conditions and find the facts

with reference to the business of making ~~small~~ regulated loans, as described in section 536.1, hereinafter referred to as ~~small~~ regulated loans, and after making such investigation, report in writing their findings to the next regular session of the general assembly, and upon the basis of such facts:

a. To classify ~~small~~ regulated loans by a regulation according to such system of differentiation as will reasonably distinguish such classes of loans for the purposes of this chapter, and

b. To determine and fix by a regulation such maximum rate of interest or charges upon each such class of ~~small~~ regulated loans as will induce efficiently managed commercial capital to enter such business in sufficient amounts to make available adequate credit facilities to individuals. ~~without-the-security-or-financial-responsibility-usually-required-by-banks.~~ Such maximum rate of interest or charge shall be stated by the board as an annual percentage rate calculated according to the actuarial method and applied to the unpaid balances of the amount financed.

2. The board may from time to time, commencing March 1, 1935, re-determine and re-fix by a regulation in accordance with subsection 1 above, any maximum rate of interest or charges previously fixed by it, but such changed maximum rates shall not affect preexisting loan contracts lawfully entered into between any licensee and any borrower; all regulations which the board may make respecting rates of interest or charges shall fix and contain the effective date thereof, which shall not be earlier than thirty days after notice to each licensee by mailing such notice to each licensed place of business.

3. Before fixing any classification of ~~small~~ regulated loans or any maximum rate of interest or charges, or changing any such class-

ification or rate under authority of this section, the board shall give reasonable notice of its intention to consider doing so to all licensees and a reasonable opportunity to be heard thereon and to introduce evidence with respect thereto.

4. Beginning July 4, 1965, and until such time as a different rate is fixed by the board, the maximum rate of interest or charges upon such class or classes of small regulated loans shall be three percent per month on any part of the unpaid principal balance of the loan not exceeding one hundred fifty dollars and two percent per month on any part of the loan in excess of one hundred fifty dollars, but not exceeding three hundred dollars, and one and one-half percent per month on any part of the unpaid principal balance of the loan in excess of three hundred dollars, but not exceeding seven hundred dollars, and one percent per month on any part of the unpaid principal balance of the loan in excess of seven hundred dollars.

5. Every licensee hereunder may lend any sum of money not exceeding two twenty-five thousand dollars in amount and may charge, contract for, and receive thereon interest or charges at a rate not exceeding the maximum rate of interest or charges determined and fixed by the board under authority of this section or by the provisions of the preceding subsection 4.

6. The following provision shall apply to all loans including consumer loans made by a licensee hereunder: If any interest or charge in excess of those permitted by this chapter are charged, contracted for, or received, the contract of loan shall be void as to interest and charges and the licensee shall have no right to collect or receive any ~~principal~~, interest or charges whatsoever.

The provisions of the Iowa consumer credit code shall apply to a

consumer loan in which the licensee participates or engages, and any violation of the Iowa consumer credit code shall be a violation of this chapter.

Article 2, parts 3, 5 and 6, and article 3, sections 537.3203, 537.3206, 537.3209, 537.3304, 537.3305 and 537.3306 shall apply to any credit transaction, as defined in section 537.1301 in which a licensee participates or engages, and any violation of those parts or sections shall be a violation of this chapter. For the purpose of applying the provisions of the Iowa consumer credit code to those credit transactions, "consumer loan" shall include a loan for a business purpose.

A provision of the Iowa consumer credit code applicable to loans regulated by this chapter shall supersede a conflicting provision of this chapter, except that section 536.27 shall not be superseded by the Iowa consumer credit code.

Section 5. Section 536.15, Code 1985, is amended to read as follows:

536.15 USUARY-LIMITATION ON PRINCIPAL LOAN. No licensee shall directly or indirectly charge, contract for, or receive any interest or consideration greater than the lender would be permitted by law to charge if he or she were not a licensee hereunder upon the loan, use, or forbearance of money, goods, or things in action, or upon the loan, use, or sale of credit, of the amount or value of more than two twenty-five thousand dollars. The foregoing prohibition shall also apply to any licensee who permits any person, as borrower or an endorser, guarantor, or surety for any borrower, or otherwise, to owe directly or contingently or both to the licensee at any time the sum of more than two twenty-five thousand dollars for

principal.

Section 6. Section 536.26, unnumbered paragraph 1, Code 1985, is amended to read as follows:

536.26 INSURED-LOANS LIFE AND ACCIDENT AND HEALTH INSURANCE ON LOANS. No licensee shall, directly or indirectly, sell or offer for sale any life or accident and health insurance in connection with any loan made under this chapter except as and to the extent authorized by this section. Life, accident and health insurance, or any of them, may be written by a licensed insurance agent upon or in connection with any loan for a term not extending beyond the final maturity date of the loan contract but only upon one obligor on any one loan contract.

Section 7. Chapter 536, Code 1985, is amended by adding after section 536.26 the following new section:

NEW SECTION. 536.27 INSURANCE RELATED TO PROPERTY OF BORROWER. Insurance against loss of or damage to property owned by the borrower or borrowers, of against liability arising out of the ownership or use of property owned by the borrower or borrowers may be sold to a borrower or borrowers.

Section 8. Section 533A.2, subsection 1, paragraph b, Code 1985, is amended to read as follows:

b. Banks, savings and loan associations, insurance companies and similar fiduciaries, ~~except~~ regulated loan companies licensed under chapter 536 and industrial loan companies licensed under chapter 536A, as duly licensed in Iowa by law, authorized and admitted to transact business in this state and performing credit and financial adjusting in the regular course of their principal business, or while performing an escrow function.

Section 9. Section 536A.5, Code 1985, is amended to read as follows:

536.5 EXEMPTIONS. The provisions of this chapter shall not apply to businesses organized or operating as permitted under the authority of any law of this state, or of the United States, relating to banks, trust companies, building and loan associations, savings and loan associations, insurance companies, ~~small~~ regulated loan companies organized under the provisions of chapter 536, or credit unions; nor shall the provisions of this chapter apply to persons, firms or corporations that make no loans excepting on notes secured by first mortgages on real estate, nor shall the provisions of this chapter apply to licensed real estate brokers or salesmen, persons or corporations engaged exclusively in the business of purchasing commodity financing or commercial paper, pawnbrokers or persons engaged in the mercantile business. The provisions of this chapter shall not apply to loans made to any domestic or foreign corporation.

Section 10. Section 536.25, Code 1985, is repealed.

EXPLANATION

This bill provides that chapter 536 shall be known as the "Iowa Regulated Loan Act." This bill also increases the maximum regulated loan that may be made under chapter 536 from \$2,000 to \$25,000. This bill also specifically provides for the sale of property insurance to borrowers on property owned by the borrower. This bill also modifies the voiding provision applicable to regulated loans and repeals section 536.25 of the Code dealing with the furnishing of statements of other loans by the borrower. This bill also makes conforming amendments to sections 533A.2 and 536A.5 of the Code to reflect the new title of chapter 536 of the Code.

This bill takes effect July 1 following its enactment.

HOUSE FILE 556

AN ACT

RELATING TO CHATTEL LOANS BY PROVIDING A SHORT TITLE TO CHAPTER 536, INCREASING THE MAXIMUM AMOUNT OF A REGULATED LOAN FROM TWO THOUSAND TO TWENTY-FIVE THOUSAND DOLLARS, PERMITTING A LICENSEE TO SELL PROPERTY INSURANCE TO BORROWERS ON PROPERTY OWNED BY THE BORROWERS, MODIFYING THE PENALTY IF A LICENSEE CHARGES EXCESSIVE INTEREST OR OTHER CHARGES, AND MODIFYING A REQUIREMENT THAT AN APPLICANT FOR A LOAN SHALL REPORT OTHER INSTALLMENT LOANS THAT THE APPLICANT MAY HAVE.

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

Section 1. Section 536A.2, subsection 1, paragraph b, Code 1985, is amended to read as follows:

b. Banks, savings and loan associations, insurance companies and similar fiduciaries, chattel regulated loan companies licensed under chapter 536 and industrial loan companies licensed under chapter 536A, ~~as-duty-licensed-in-Iowa-by-law,~~ authorized and admitted to transact business in this state and performing credit and financial adjusting in the regular course of their principal business, or while performing an escrow function.

Sec. 2. Section 536.1, Code 1985, is amended to read as follows:

536.1 TITLE -- LICENSE AND RIGHTS THEREUNDER -- FEE -- EXAMINATION REQUIRED.

1. This chapter may be referred to as the "Iowa Regulated Loan Act".

2. With respect to a loan other than a consumer loan, no ~~a~~ ~~partnership,~~ ~~association,~~ or ~~corporation~~ shall engage in the business of making loans of money, credit, goods, or things in action in the amount or of the value of ~~two~~ twenty-five thousand dollars or less and charge, contract

for, or receive on ~~any such~~ the loan a greater rate of interest or consideration ~~therefor~~ for the loan than the lender would be permitted by law to charge if the lender were not a licensee hereunder under this chapter except as authorized by this chapter and without first obtaining a license from the superintendent of banking, ~~hereinafter-called~~ ~~the~~ ~~superintendent.~~

3. With respect to a consumer loan, a person required by section 537.2301 to have a license shall not engage in the business of making loans of money, credit, goods or things in action in the amount or value of two twenty-five thousand dollars or less and charge, contract for, or receive on ~~any such~~ the loan a greater rate of interest or consideration ~~therefor~~ for the loan than the lender would be permitted by law to charge if the lender were not a licensee hereunder under this chapter, except as authorized by this chapter and without first obtaining a license from the superintendent.

4. A person who enters into less than ten supervised loans per year in this state and who neither has an office physically located in this state nor engages in face-to-face solicitation in this state may contract for and receive the rate of interest permitted in this chapter for licensees hereunder under this chapter. A "consumer loan" shall ~~be~~ mean the same as defined in section 537.1301.

Sec. 3. Section 536.10, unnumbered paragraph 3, Code 1985, is amended to read as follows:

Every A licensee subject to examination, supervision and regulation by the superintendent, shall pay to the superintendent an examination fee, based on the actual cost of the operation of the ~~small regulated~~ loan division of the department of banking, and the proportionate share of administrative expenses in the operation of the department of banking attributable to the ~~small regulated~~ loan division as determined by the superintendent of banking. Such ~~the~~ fee shall apply equally to all licenses and shall not be changed

more frequently than annually and when changed, shall be effective on January 1 of the year following the year in which the change is approved.

Sec. 4. Section 536.13, Code 1985, is amended to read as follows:

536.13 BANKING BOARD -- REPORT -- ADDITIONAL RESTRICTIONS.

1. ~~It shall be the duty of the~~ the state banking board; ~~hereinafter called the board; and it shall have power; jurisdiction; and authority; from time to time to~~ may investigate the conditions and find the facts with reference to the business of making small regulated loans, as described in section 536.17 ~~hereinafter referred to as small loans;~~ and after making such the investigation, report in writing their its findings to the next regular session of the general assembly, and upon the basis of such the facts:

a. ~~To classify small~~ Classify regulated loans by a regulation according to such a system of differentiation as which will reasonably distinguish such the classes of loans for the purposes of this chapter; ~~and.~~

b. ~~To determine~~ Determine and fix by a regulation ~~such rule~~ the maximum rate of interest or charges upon each such class of small regulated loans as which will induce efficiently managed commercial capital to enter such the business in sufficient amounts to make available adequate credit facilities to individuals ~~without the security or financial responsibility usually required by banks.~~ The maximum rate of interest or charge shall be stated by the board as an annual percentage rate calculated according to the actuarial method and applied to the unpaid balances of the amount financed.

2. ~~The~~ Except as provided in subsection 7, the board may ~~from time to time; commencing March 1, 1935;~~ redetermine and refix by a regulation rule, in accordance with subsection 1 above, any maximum rate of interest or charges previously fixed by it, but such the changed maximum rates shall not

affect pre-existing loan contracts lawfully entered into between any a licensee and any a borrower; ~~all regulations.~~ All rules which the board may make respecting rates of interest or charges shall ~~fix and contain~~ state the effective date thereof of the rules, which shall not be earlier than thirty days after notice to each licensee by mailing ~~such~~ the notice to each licensed place of business.

3. Before fixing any classification of small regulated loans or any maximum rate of interest or charges, or changing ~~any such a~~ classification or rate under authority of this section, the board shall give reasonable notice of its intention to consider doing so to all licensees and a reasonable opportunity to be heard ~~thereon~~ and to introduce evidence with respect thereto to the change or classification.

4. Beginning July 4, 1965, and until such time as a different rate is fixed by the board, the maximum rate of interest or charges upon ~~such~~ the class or classes of small regulated loans ~~shall be~~ is three percent per month on any part of the unpaid principal balance of the loan not exceeding one hundred fifty dollars and two percent per month on any part of the loan in excess of one hundred fifty dollars, but not exceeding three hundred dollars, and one and one-half percent per month on any part of the unpaid principal balance of the loan in excess of three hundred dollars, but not exceeding seven hundred dollars, and one percent per month on any part of the unpaid principal balance of the loan in excess of seven hundred dollars.

5. Every A licensee ~~hereunder~~ under this chapter may lend any sum of money not exceeding ~~two~~ twenty-five thousand dollars in amount and may charge, contract for, and receive ~~thereon~~ on the loan interest or charges at a rate not exceeding the maximum rate of interest or charges determined and fixed by the board under authority of this section ~~or by the provisions of the preceding subsection 4 or pursuant to subsection 7 for those amounts in excess of ten thousand dollars.~~

6. ~~The following provision shall apply to all loans including consumer loans made by a licensee hereunder.~~ If any interest or charge on a loan regulated by this chapter in excess of those permitted by this chapter are ~~is~~ charged, contracted for, or received, the contract of loan ~~shall be is~~ void as to interest and charges and the licensee shall have no right to collect or receive any principal, interest or charges whatsoever. In addition, the licensee shall forfeit the right to collect the lesser of two thousand dollars of principal of the loan or the total amount of the principal of the loan.

7. The board may establish the maximum rate of interest or charges as permitted under this chapter for those loans whose unpaid principal balance is ten thousand dollars or less. For those loans whose unpaid principal balance is over ten thousand dollars, the maximum rate of interest or charges which a licensee may charge shall be the greater of the rate permitted by chapter 535 or the rate authorized for supervised financial organizations by chapter 537.

~~The provisions of the Iowa consumer credit code shall apply, chapter 537, applies~~ to a consumer loan in which the licensee participates or engages, and any a violation of the Iowa consumer credit code ~~shall be is~~ a violation of this chapter.

Article 2, parts 3, 5 and 6 of chapter 537, and article 3 of chapter 537, sections 537.3203, 537.3206, 537.3209, 537.3304, 537.3305 and 537.3306 shall apply to any credit transaction, as defined in section 537.1301 in which a licensee participates or engages, and any violation of those parts or sections ~~shall be is~~ a violation of this chapter. For the purpose of applying the ~~provisions of~~ the Iowa consumer credit code to those credit transactions, "consumer loan" ~~shall include includes~~ a loan for a business purpose.

A provision of the Iowa consumer credit code applicable to loans regulated by this chapter ~~shall supersede supercedes~~ a conflicting provision of this chapter.

Sec. 5. Section 536.15, Code 1985, is amended to read as follows:

536.15 USURY -- LIMITATION ON PRINCIPAL LOAN.

No A licensee shall not directly or indirectly charge, contract for, or receive any interest or consideration greater than the lender would be permitted by law to charge if the lender were not a licensee hereunder upon the loan, use, or forbearance of money, goods, or things in action, or upon the loan, use, or sale of credit, of the amount or value of more than two twenty-five thousand dollars. ~~The foregoing prohibition shall This section also apply applies~~ to any a licensee who permits any a person, as borrower or as endorser, guarantor, or surety for any a borrower, or otherwise, to owe directly or contingently or both to the licensee at any time the sum of more than two twenty-five thousand dollars for principal.

Sec. 6. Section 536.25, Code 1985, is amended to read as follows:

536.25 STATEMENT OF OTHER LOANS BY BORROWER.

Every A licensee when making a loan hereunder under this chapter shall require a statement in writing from each applicant setting forth a description of all installment indebtedness of such the applicant by giving the amount of each such loan and the name of the lender. The applicant may orally disclose the information and the licensee shall write down the information, and the applicant shall subsequently sign the statement.

Sec. 7. Section 536.26, unnumbered paragraph 1, Code 1985, is amended to read as follows:

No A licensee shall not, directly or indirectly, sell or offer for sale any life, or accident and health insurance in connection with any a loan made under this chapter except as and to the extent authorized by this section. Life, accident and health insurance, or any of them, may be written by a licensed insurance agent upon or in connection with any loan

for a term not extending beyond the final maturity date of the loan contract but only upon one obligor on any one loan contract.

Sec. 8. Section 536.28, Code 1985, is amended by adding the following new subsections:

NEW SUBSECTION. 3. "Board" means the state banking board.

NEW SUBSECTION. 4. "Consumer loan" means a loan as defined in section 537.1301.

NEW SUBSECTION. 5. "Superintendent" means the state superintendent of banking.

Sec. 9. NEW SECTION. 536.30 INSURANCE RELATED TO PROPERTY OF BORROWER.

A licensee may sell the borrower insurance against loss of or damage to property owned by the borrower or loss from liability arising out of the ownership or use of property owned by the borrower. When the transaction is a consumer credit transaction as defined in section 537.1301 the sale of property insurance is subject to the requirements of sections 537.2501 and 537.2510 and the rules adopted under those sections by the administrator of the Iowa consumer credit code.

Sec. 10. Section 536A.5, Code 1985, is amended by striking the section and inserting in lieu thereof the following:

536A.5 EXEMPTIONS.

This chapter does not apply to any of the following:

1. Businesses organized or operating as permitted under the authority of a law of this state or the United States relating to banks, trust companies, building and loan associations, savings and loan associations, insurance companies, regulated loan companies organized under chapter 536, or credit unions.
2. Persons that make loans only on notes secured by first mortgages on real estate.
3. Licensed real estate brokers or salespersons.

4. A person engaged exclusively in the business of purchasing commodity financing or commercial paper.
5. A pawnbroker.
6. A person engaged in the mercantile business.
7. Loans made to a domestic or foreign corporation.

DONALD D. AVENSON
Speaker of the House

ROBERT T. ANDERSON
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 556, Seventy-first General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved May 20, 1985

TERRY E. BRANSTAD
Governor