**FILED** MAR 16 1989

SENATE FILE **462**

BY   COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 195)

Passed Senate, Date 3-31-89 (p.1110) Passed House, Date 4-12-89 (p.1314)

Vote: Ayes 41   Nays 0   Vote: Ayes 60   Nays 35

Approved _____ June 3 1989

Motion to Reconsider 3-31-89 (p.1114) - Withdrawn 4-3-89

**A BILL FOR**

3414-1 An Act relating to credit transactions by changing the maximum
 2     service fee on loans by industrial loan companies, by changing
 3     the maximum finance charge for certain consumer loans pursuant
 4     to open-end credit, and by changing the maximum finance charge
 5     on consolidations of consumer credit transactions.
 6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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SF 462

3414 amends all—

1    Section 1.   Section 536A.23, subsection 2, Code 1989, is
2 amended to read as follows:
3    2.   Charge, receive or collect in advance a service charge
4 in excess of one dollar for each fifty dollars of the amount
5 of the note, nor in excess of a total of ~~forty~~ one hundred
6 twenty dollars.   The service charge authorized by this section
7 shall not be ~~charged,-contracted-for,-collected-or-received-on~~
8 ~~any-loan-which-is-renewed-or-rewritten-within-six-months-of~~
9 ~~the-date-of-the-original-note,-nor-on-that-part-of-a-new-loan~~
10 ~~made-to-the-same-borrower-by-the-same-company-which-is-used-to~~
11 ~~discharge-a-prior-loan-made-to-the-same-borrower-by-the-same~~
12 ~~company~~ subject to rebate upon prepayment, and shall be fully
13 earned when the loan is made.
14    Sec. 2.   Section 536A.31, subsection 3, Code 1989, is
15 amended to read as follows:
16    3.   A provision of the Iowa consumer credit code, chapter
17 537, applicable to loans regulated by this chapter supersedes
18 a conflicting provision of this chapter.   However, section
19 536A.23, ~~subsection~~ subsections 2 and 5, ~~is~~ are not superseded
20 by the Iowa consumer credit code.
21    Sec. 3.   Section 537.2402, subsection 3, Code 1989, is
22 amended to read as follows:
23    3.   If the billing cycle is monthly, the charge ~~may~~ shall
24 not exceed an amount equal to one and ~~one-half~~ three-fourths
25 percent of ~~that-part-of~~ the maximum amount pursuant to
26 subsection 2 ~~which-is-five-hundred-dollars-or-less-and-one-and~~
27 ~~one-fourth-percent-of-that-part-of-the-maximum-amount-which-is~~
28 ~~more-than-five-hundred-dollars.~~   If the billing cycle is not
29 monthly, the maximum charge for the billing cycle shall bear
30 the same relation to the applicable monthly maximum charge as
31 the number of days in the billing cycle bears to three hundred
32 sixty-five divided by twelve.   A billing cycle is monthly if
33 the closing date of the cycle is the same date each month or
34 does not vary by more than four days from the regular date.
35    Sec 4.   Section 537.2505, subsection 3, Code 1989, is

1 amended to read as follows:

2     3.    If all debts consolidated arise exclusively from

3 consumer loans, the creditor may contract for and receive the

4 finance charge permitted by the provisions on finance charge

5 for consumer ~~loans~~ credit sales pursuant to open-end credit

6 pursuant to section ~~537.2401~~ 537.2202.   If the debts

7 consolidated include a debt arising from a consumer credit

8 sale, ~~including-a-transaction-pursuant-to-a-lender-credit-card~~

9 and the aggregate amount financed resulting from the

10 consolidation includes at least three hundred dollars arising

11 from a contemporaneous consumer loan after deducting any

12 additional charges under section 537.2501, the amount of the

13 finance charge is governed by the provisions on finance charge

14 for consumer credit sales in section 537.2201.
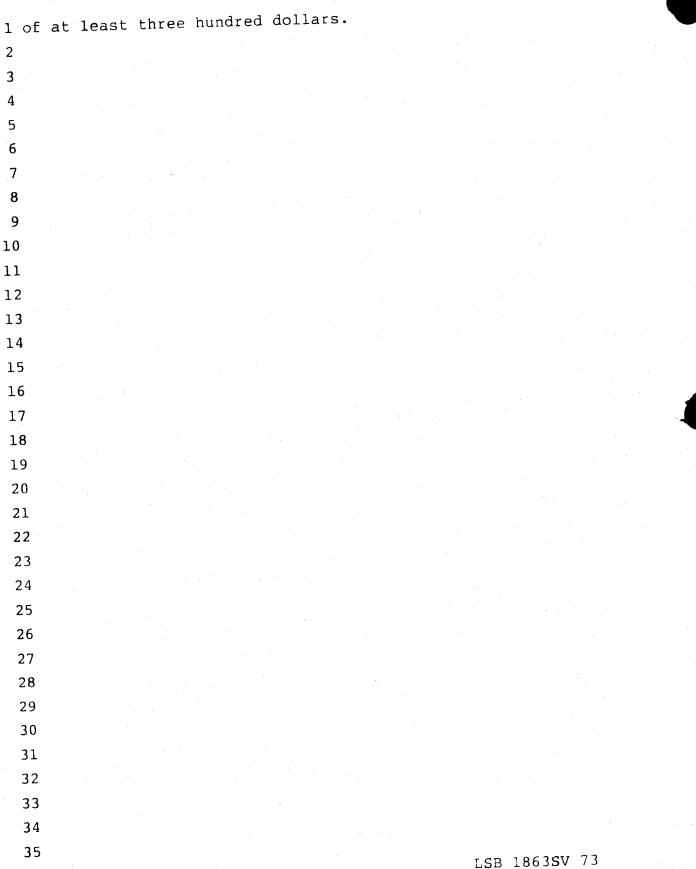
15                         EXPLANATION

16     Section 1 allows an industrial loan company to collect a

17 service charge of up to five percent of the amount of the

18 note.   Currently such service charges are limited to one

19 dollar for each fifty dollars of the loan (2%), but limited to

20 a maximum of forty dollars.   The service charge is not subject

21 to rebate upon prepayment, and is fully earned when the loan

22 is made.   Other limitations are struck.

23     Section 2 provides that section 1 of the bill is not

24 superseded by the Iowa consumer credit code.

25     Section 3 allows a periodic rate of up to one and three-

26 fourths percent per month on consumer loans pursuant to open-

27 end credit.   The current rate is one and one-half percent on

28 the first five hundred dollars and one and one-fourth percent

29 on any additional moneys.

30     Section 4 allows the finance charge permitted for consumer

31 credit sales pursuant to open-end credit (19.8%) for a simple

32 consolidation loan or the finance charge for consumer sales

33 (21%) when a consumer credit sale is part of a consolidation

34 of consumer credit transactions and the aggregate amount

35 financed resulting from the consolidation includes a new loan

1 of at least three hundred dollars.

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# SENATE FILE 462

1    Amend Senate File 462 as follows:
2    1.  By striking everything after the enacting
3  clause and inserting the following:
4    "Section 1.   Section 536A.23, subsection 2, Code
5  1989, is amended by striking the subsection and
6  inserting in lieu thereof the following:
7    2.  Charge, receive, or collect in advance, a
8  service charge in excess of one dollar for each fifty
9  dollars of the amount of the note, not to exceed a
10 total of one hundred twenty dollars.
11   Sec. 2.  Section 537.2402, subsection 3, Code 1989,
12 is amended to read as follows:
13   3.  If the billing cycle is monthly, the charge may
14 shall not exceed an amount equal to one and one-half
15 sixty-five hundredths percent of that-part-of the
16 maximum amount pursuant to subsection 2 which-is-five
17 hundred-dollars-or-less-and-one-and-one-fourth-percent
18 of-that-part-of-the-maximum-amount-which-is-more-than
19 five-hundred-dollars.  If the billing cycle is not
20 monthly, the maximum charge for the billing cycle
21 shall bear the same relation to the applicable monthly
22 maximum charge as the number of days in the billing
23 cycle bears to three hundred sixty-five divided by
24 twelve.  A billing cycle is monthly if the closing
25 date of the cycle is the same date each month or does
26 not vary by more than four days from the regular date.
27   2.  Title page, by stiking lines 4 though 5, and
28 inserting the following:  "to open-end credit."
                                        By JOE WELSH

Adopted 3-31-89 (p.1110)
Motion to reconsider 3-31-89 (p.1114)

SENATE FILE 462

## AN ACT
RELATING TO CREDIT TRANSACTIONS BY CHANGING THE MAXIMUM SERVICE
FEE ON LOANS BY INDUSTRIAL LOAN COMPANIES, BY CHANGING THE
MAXIMUM FINANCE CHARGE FOR CERTAIN CONSUMER LOANS PURSUANT
TO OPEN-END CREDIT.

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

Section 1.   Section 536A.23, subsection 2, Code 1989, is
amended by striking the subsection and inserting in lieu
thereof the following:
2.   Charge, receive, or collect in advance, a service
charge in excess of one dollar for each fifty dollars of the
amount of the note, not to exceed a total of one hundred
twenty dollars.
Sec. 2.   Section 537.2402, subsection 3, Code 1989, is
amended to read as follows:
3.   If the billing cycle is monthly, the charge may shall
not exceed an amount equal to one and one-half sixty-five
hundredths percent of that-part-of the maximum amount pursuant
to subsection 2 which-is-five-hundred-dollars-or-less-and-one
and-one-fourth-percent-of-that-part-of-the-maximum-amount
which-is-more-than-five-hundred-dollars.   If the billing cycle
is not monthly, the maximum charge for the billing cycle shall
bear the same relation to the applicable monthly maximum
charge as the number of days in the billing cycle bears to
three hundred sixty-five divided by twelve.   A billing cycle
is monthly if the closing date of the cycle is the same date

each month or does not vary by more than four days from the
regular date.

JO ANN ZIMMERMAN
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and
is known as Senate File 462, Seventy-third General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved  _June 3_ , 1989

TERRY E. BRANSTAD
Governor

SF 462