

FEB 21 1995

HOUSE FILE 195
BY RENKEN

COMMERCE - REGULATION

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to consumer credit transactions, by providing for
2 certain licensing revocations and for the imposition of
3 certain finance charges upon refinancing and consolidation of
4 debts.

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

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1 Section 1. Section 536.13, subsection 7, unnumbered
2 paragraph 2, Code 1995, is amended to read as follows:

3 The Iowa consumer credit code, chapter 537, applies to a
4 consumer loan in which the licensee participates or engages,
5 and a violation of the Iowa consumer credit code is a
6 violation of this chapter. The superintendent shall revoke
7 the license of a person required to be licensed under this
8 chapter, if the superintendent determines that the person is
9 required to be similarly licensed in another state, and has
10 violated a provision of that state's law which would
11 constitute a violation of chapter 537.

12 Sec. 2. Section 536A.29, subsection 1, Code 1995, is
13 amended to read as follows:

14 1. The superintendent shall enforce the Iowa consumer
15 credit code with respect to licensees, as provided in sections
16 537.2303, 537.2305 and 537.6105. The superintendent shall
17 revoke the license of a person required to be licensed under
18 this chapter, if the superintendent determines that the person
19 is required to be similarly licensed in another state, and has
20 violated a provision of that state's law which would
21 constitute a violation of chapter 537.

22 Sec. 3. Section 537.2303, Code 1995, is amended by adding
23 the following new subsection:

24 NEW SUBSECTION. 8. The licensing authority shall revoke
25 the license of a person required to be licensed under chapter
26 536 or 536A, if the licensing authority determines that the
27 person is required to be similarly licensed in another state,
28 and has violated a provision of that state's law which would
29 constitute a violation under this chapter.

30 Sec. 4. Section 537.2504, unnumbered paragraph 1, Code
31 1995, is amended to read as follows:

32 With respect to a consumer credit transaction in which the
33 rate of finance charge required to be disclosed in the
34 transaction pursuant to section 537.3201 does not exceed
35 eighteen percent per year, other than a consumer lease or a

1 consumer rental purchase agreement, the creditor may, by
2 agreement with the consumer, refinance the unpaid balance and
3 may contract for and receive a finance charge based on the
4 amount financed resulting from the refinancing at a rate not
5 exceeding that permitted by the provisions on finance charge
6 for consumer credit sales other than open end credit in
7 section 537.2201 if a consumer credit sale is refinanced, the
8 provisions on finance charge for a consumer loan other than a
9 supervised loan in section 537.2401, subsection 1, or the
10 provisions on finance charge for a supervised loan not
11 pursuant to open end credit in section 537.2401, subsection 2,
12 as applicable, if a consumer loan is refinanced. With respect
13 to a consumer credit transaction in which the rate of finance
14 charge required to be disclosed in the transaction to the
15 consumer pursuant to section 537.3201 exceeds eighteen percent
16 per year, other than a consumer lease or a consumer rental
17 purchase agreement, the creditor may by agreement with the
18 consumer, refinance the unpaid balance and may contract for
19 and receive a finance charge based on the amount financed
20 resulting from the refinancing at a rate of finance charge not
21 to exceed that ~~which was required to be disclosed in the~~
22 ~~original transaction to the consumer~~ rate permitted for
23 consumer credit sales pursuant to section 537.3201 537.2201 or
24 the rate permitted for consumer loans pursuant to section
25 537.2401, whichever is greater. For the purpose of
26 determining the finance charge permitted, the amount financed
27 resulting from the refinancing consists of:

28 Sec. 5. Section 537.2505, subsection 3, Code 1995, is
29 amended by striking the subsection and inserting in lieu
30 thereof the following:

31 3. Upon the consolidation of any debt arising from or in
32 combination from a consumer credit sale, lender credit card,
33 seller credit card, or consumer loan, the creditor may
34 contract for and receive the finance charge at a rate
35 permitted for consumer credit sales pursuant to section

1 537.2201 or permitted for consumer loans pursuant to section
2 537.2401, whichever is greater.

3 EXPLANATION

4 This bill amends several provisions of chapter 537, the
5 Iowa consumer credit code. The bill provides that the
6 superintendent of banking shall revoke the license of a person
7 required to be licensed under chapter 536, the Iowa regulated
8 loan Act, or chapter 536A, the Iowa industrial loan law, if
9 the person is required to be similarly licensed in another
10 state, and has violated a provision of that state's law which
11 would constitute a violation under chapter 537, Iowa's
12 consumer credit code.

13 This bill regulates the finance charge that may be imposed
14 for refinancing certain consumer credit transactions in which
15 the rate of interest required to be disclosed pursuant to the
16 federal Truth in Lending Act exceeds 18 percent per year.
17 Currently the permitted rate is based on the amount which was
18 required to be disclosed in the original transaction. This
19 bill provides that the rate is the same as permitted for
20 consumer credit sales pursuant to section 537.2201 or for
21 consumer loans pursuant to section 537.2401, whichever is
22 more.

23 The bill also amends a section providing for the
24 consolidation of debts arising from consumer loans, consumer
25 credit sales, lender credit cards, or seller credit cards.
26 Currently, if the consolidated debt arises from consumer
27 loans, the finance charge must be the same as for consumer
28 loans as regulated pursuant to section 537.2401. If the
29 consolidation includes a debt arising from a consumer credit
30 sale, or a lender credit card, the rate must be the same as
31 for consumer credit sales as regulated in section 537.2201.
32 This bill provides that upon consolidation of any debt arising
33 from a consumer credit sale, lender credit card, seller credit
34 card, or consumer loan, the rate must be the same as provided
35 pursuant to section 537.2201 or 537.2401, whichever is more.

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