

FEB 14 1996

COMMERCE - REGULATION

HOUSE FILE  
BY JACOBS

2197

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to permissible charges which may be contracted  
2 for and received with respect to open-end credit.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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*HF 2197*

1 Section 1. Section 537.2402, subsection 1, Code 1995, is  
2 amended to read as follows:

3 1. If authorized to make supervised loans, a creditor may  
4 contract for and receive a finance charge without limitation  
5 as to amount or rate with respect to a loan pursuant to open-  
6 end credit ~~not-exceeding-that~~ as permitted in this section.

7 Sec. 2. Section 537.2402, subsections 3, 5, and 6, Code  
8 1995, are amended by striking the subsections.

9 Sec. 3. Section 537.2501, subsection 1, paragraph f,  
10 unnumbered paragraph 1, Code Supplement 1995, is amended to  
11 read as follows:

12 With respect to open-end credit ~~pursuant-to-a-credit-card~~  
13 ~~issued-by-the-creditor-which-entitles-the-cardholder-to~~  
14 ~~purchase-or-lease-goods-or-services-from-at-least-one-hundred~~  
15 ~~persons-not-related-to-the-card-issuer~~, the parties may  
16 contract for an over-limit charge not to exceed ten dollars if  
17 the balance of the account exceeds the credit limit  
18 established pursuant to the agreement. The over-limit charge  
19 under this paragraph shall not be assessed again in a  
20 subsequent billing cycle unless in a subsequent billing cycle  
21 the account balance has been reduced below the credit limit.

22 Sec. 4. Section 537.2502, subsection 4, Code Supplement  
23 1995, is amended to read as follows:

24 4. With respect to open-end credit ~~obtained-pursuant-to-a~~  
25 ~~credit-card-issued-by-the-creditor-which-entitles-the~~  
26 ~~cardholder-to-purchase-or-lease-goods-or-services-from-at~~  
27 ~~least-one-hundred-persons-not-related-to-the-card-issuer~~, the  
28 parties may contract for a delinquency charge on any payment  
29 not paid in full within ten days after its due date, as  
30 originally scheduled or as deferred, in an amount not to  
31 exceed ten dollars.

32 EXPLANATION

33 This bill amends provisions relating to the permissible  
34 finance charge which may be contracted for with respect to a  
35 loan pursuant to open-end credit.

1 Section 537.2402 is amended to provide that a creditor  
2 authorized to make supervised loans may contract for and  
3 receive a finance charge without limitation as to amount or  
4 rate with respect to open-end credit as permitted in the  
5 section. Subsections 3, 5, and 6 are struck, which currently  
6 establish limitations on the finance charge. Subsection 3  
7 limits the finance charge, for open-end credit subject to a  
8 monthly billing cycle, to an amount equal to one and sixty-  
9 five-hundredths percent of the maximum balance amount as  
10 determined under subsection 2. Subsection 5 provides that a  
11 creditor may contract and receive a finance charge without  
12 limitation with respect to a loan pursuant to open-end credit  
13 obtained pursuant to a credit card issued by a creditor which  
14 entitles the cardholder to purchase or lease goods from at  
15 least 100 persons not related to the card issuer. Subsection  
16 6 provides that if the differential treatment based upon the  
17 number of persons honoring a credit card is unconstitutional,  
18 a creditor may receive a maximum finance charge of 22 percent  
19 per year for a loan pursuant to open-end credit.

20 Sections 537.2501 and 537.2502 are amended to provide that  
21 the maximum \$10 over-limit charge and the maximum \$10  
22 delinquency charge apply to all open-end credit accounts.  
23 Currently, those maximums apply to credit obtained pursuant to  
24 a credit card issued by a creditor which entitles the  
25 cardholder to purchase or lease goods from at least 100  
26 persons not related to the card issuer.

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