

SENATE FILE 62  
BY FRAISE and JENSEN

(COMPANION TO LSB 1474HH BY RENKEN)

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

**A BILL FOR**

1 An Act relating to finance charges upon refinancing and  
2 consolidation of debts involving consumer credit transactions.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 62

1 Section 1. Section 537.2504, unnumbered paragraph 1, Code  
2 1995, is amended to read as follows:

3 With respect to a consumer credit transaction in which the  
4 rate of finance charge required to be disclosed in the  
5 transaction pursuant to section 537.3201 does not exceed  
6 eighteen percent per year, other than a consumer lease or a  
7 consumer rental purchase agreement, the creditor may, by  
8 agreement with the consumer, refinance the unpaid balance and  
9 may contract for and receive a finance charge based on the  
10 amount financed resulting from the refinancing at a rate not  
11 exceeding that permitted by the provisions on finance charge  
12 for consumer credit sales other than open end credit in  
13 section 537.2201 if a consumer credit sale is refinanced, the  
14 provisions on finance charge for a consumer loan other than a  
15 supervised loan in section 537.2401, subsection 1, or the  
16 provisions on finance charge for a supervised loan not  
17 pursuant to open end credit in section 537.2401, subsection 2,  
18 as applicable, if a consumer loan is refinanced. With respect  
19 to a consumer credit transaction in which the rate of finance  
20 charge required to be disclosed in the transaction to the  
21 consumer pursuant to section 537.3201 exceeds eighteen percent  
22 per year, other than a consumer lease or a consumer rental  
23 purchase agreement, the creditor may by agreement with the  
24 consumer, refinance the unpaid balance and may contract for  
25 and receive a finance charge based on the amount financed  
26 resulting from the refinancing at a rate of finance charge not  
27 to exceed that ~~which was required to be disclosed in the~~  
28 ~~original transaction to the consumer~~ rate permitted for  
29 consumer credit sales pursuant to section 537.3201 537.2201 or  
30 the rate permitted for consumer loans pursuant to section  
31 537.2401, whichever is greater. For the purpose of  
32 determining the finance charge permitted, the amount financed  
33 resulting from the refinancing consists of:

34 Sec. 2. Section 537.2505, subsection 3, Code 1995, is  
35 amended by striking the subsection and inserting in lieu

1 thereof the following:

2 3. Upon the consolidation of any debt arising from or in  
3 combination from a consumer credit sale, lender credit card,  
4 seller credit card, or consumer loan, the creditor may  
5 contract for and receive the finance charge at a rate  
6 permitted for consumer credit sales pursuant to section  
7 537.2201 or permitted for consumer loans pursuant to section  
8 537.2401, whichever is greater.

9 EXPLANATION

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

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

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