

MAR 13 1997
Place On Calendar

*Substituted
for S.F. 394
4/14/97 (p.153)*

HOUSE FILE 611
BY COMMITTEE ON COMMERCE AND
REGULATION

(SUCCESSOR TO HF 256)

(p.640)
Passed House, Date 3-18-97 Passed Senate, Date 4-16-97 (p.1195)
Vote: Ayes 59 Nays 41 Vote: Ayes 31 Nays 17

(p.1313) Approved May 26, 1997 *MTR San Delubery
Sen Scherer
4-16-97 (p.1228)*
*Passed 4-17-97
Vote 56 - 41*

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:

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22

HF 611

1 Section 1. Section 537.1301, subsection 42, Code 1997, is
2 amended to read as follows:

3 42. "Supervised financial organization" means a person,
4 other than an insurance company or other organization
5 primarily engaged in an insurance business, which is
6 organized, chartered, or holding an authorization certificate
7 pursuant to chapter 524, 533, or 534, or pursuant to the laws
8 of any other state or of the United States which authorizes
9 the person to make loans and to receive deposits, including a
10 savings, share, certificate or deposit account, and which is
11 subject to supervision by an official or agency of this state,
12 such other state, or of the United States.

13 Sec. 2. Section 537.2202, subsection 1, Code 1997, is
14 amended to read as follows:

15 1. With respect to a consumer credit sale made pursuant to
16 open end credit, a creditor may contract for and receive a
17 finance charge ~~not-exceeding-that~~ without limitation as to
18 amount or rate as permitted in this section.

19 Sec. 3. Section 537.2202, subsection 3, Code 1997, is
20 amended by striking the subsection.

21 Sec. 4. Section 537.2402, subsection 1, Code 1997, is
22 amended to read as follows:

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

27 Sec. 5. Section 537.2402, subsections 3, 5, and 6, Code
28 1997, are amended by striking the subsections.

29 Sec. 6. Section 537.2501, subsection 1, paragraph f,
30 unnumbered paragraph 1, Code 1997, is amended to read as
31 follows:

32 With respect to open-end credit ~~pursuant-to-a-credit-card~~
33 ~~issued-by-the-creditor-which-entitles-the-cardholder-to~~
34 ~~purchase-or-lease-goods-or-services-from-at-least-one-hundred~~
35 ~~persons-not-related-to-the-card-issuer,~~ the parties may

1 contract for an over-limit charge up to fifteen dollars if the
2 balance of the account exceeds the credit limit established
3 pursuant to the agreement. The over-limit charge under this
4 paragraph shall not be assessed again in a subsequent billing
5 cycle unless in a subsequent billing cycle the account balance
6 has been reduced below the credit limit.

7 Sec. 7. Section 537.2502, subsection 4, Code 1997, is
8 amended to read as follows:

9 4. With respect to open-end credit obtained-pursuant-to-a
10 ~~credit-card-issued-by-the-creditor-which-entitles-the~~
11 ~~cardholder-to-purchase-or-lease-goods-or-services-from-at~~
12 ~~least-one-hundred-persons-not-related-to-the-card-issuer,~~ the
13 parties may contract for a delinquency charge on any payment
14 not paid in full when due, as originally scheduled or as
15 deferred, in an amount up to fifteen dollars.

16 Sec. 8. Section 537.2502, subsections 7 and 8, Code 1997,
17 are amended by striking the subsections.

18 EXPLANATION

19 This bill amends provisions relating to the permissible
20 charges which may be contracted for with respect to a consumer
21 credit sale or a loan pursuant to open-end credit.

22 Code section 537.1301 is amended to include a financial
23 institution holding an authorization certificate pursuant to
24 the laws of another state under the definition of a supervised
25 financial organization for purposes of the consumer credit
26 code.

27 Code section 537.2202 is amended to provide that a creditor
28 may contract for and receive a finance charge without
29 limitation as to amount or rate with respect to a consumer
30 credit sale made pursuant to open end-credit. Currently, if
31 the billing cycle is monthly, the finance charge may not
32 exceed 1.65 percent.

33 Code section 537.2402 is amended to provide that a creditor
34 authorized to make supervised loans may contract for and
35 receive a finance charge without limitation as to amount or

1 rate with respect to open-end credit as permitted in the
2 section. Subsections 3, 5, and 6, which currently establish
3 limitations on the finance charge, are stricken. Subsection 3
4 limits the finance charge, for open-end credit subject to a
5 monthly billing cycle, to an amount equal to 1.65 percent of
6 the maximum balance amount as determined under subsection 2.
7 Subsection 5 provides that a creditor may contract and receive
8 a finance charge without limitation with respect to a loan
9 pursuant to open-end credit obtained pursuant to a credit card
10 issued by a creditor which entitles the cardholder to purchase
11 or lease goods from at least 100 persons not related to the
12 card issuer. Subsection 6 provides that if the differential
13 treatment based upon the number of persons honoring a credit
14 card is unconstitutional, a creditor may receive a maximum
15 finance charge of 22 percent per year for a loan pursuant to
16 open-end credit.

17 Code sections 537.2501 and 537.2502 are amended to provide
18 that the over-limit charge of up to \$15 and the delinquency
19 charge of up to \$15 apply to all open-end credit accounts.
20 Currently, those charges apply to credit obtained pursuant to
21 a credit card issued by a creditor which entitles the
22 cardholder to purchase or lease goods from at least 100
23 persons not related to the card issuer.

24 Subsections 7 and 8 of Code section 537.2502, which pertain
25 to delinquency charges, are stricken. Subsection 7 provides
26 that if the differential treatment based upon the number of
27 persons honoring a credit card is unconstitutional, the
28 parties may contract for a delinquency charge in an amount up
29 to \$15 in any consumer credit transaction pursuant to open-end
30 credit. Subsection 8 provides that with respect to open-end
31 credit obtained pursuant to a credit card issued by the
32 creditor which entitles the cardholder to purchase or lease
33 goods or services from less than 100 persons not related to
34 the card issuer, the parties may contract for a delinquency
35 charge on any payment not paid in full within 30 days after

1 its due date, as originally scheduled or as deferred, in an
2 amount not to exceed \$10. The subsection provides that a
3 delinquency charge is not to be collected more than once on
4 any one payment, regardless of the length of time the payment
5 remains delinquent.

- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31
- 32
- 33
- 34
- 35

HOUSE FILE 611

S-3426

1 Amend House File 611 as follows:

2 1. Page 1, by striking line 8 and inserting the
3 following: "of any other state found by the
4 administrator to provide protection to consumers that
5 is equal to or greater than that provided by the laws
6 of this state, or pursuant to the laws of the United
7 States which authorizes".

8 2. Page 1, by striking lines 13 through 20 and
9 inserting the following:

10 "Sec. ____ . Section 537.2202, subsection 3, Code
11 1997, is amended to read as follows:

12 3. If the billing cycle is monthly, the charge may
13 not exceed an amount which, on a corresponding annual
14 basis, is equal to one-point-sixty-five-percent the
15 greater of nineteen and eight hundredths percent or
16 the prime rate plus six percent. For purposes of this
17 subsection, "prime rate" means the rate of interest as
18 determined and published by the superintendent of
19 banking pursuant to section 535.2, subsection 3,
20 paragraph "a". If the billing cycle is not monthly,
21 the maximum charge for the billing cycle shall bear
22 the same relation to the applicable monthly maximum
23 charge as the number of days in the billing cycle
24 bears to three hundred sixty-five divided by twelve.
25 A billing cycle is monthly if the closing date of the
26 cycle is the same date each month or does not vary by
27 more than four days from the regular date."

28 3. Page 1, by striking lines 21 through 26 and
29 inserting the following:

30 "Sec. ____ . Section 537.2402, subsection 3, Code
31 1997, is amended to read as follows:

32 3. If the billing cycle is monthly, the charge
33 shall not exceed an amount which, on a corresponding
34 annual basis, is equal to one-and-sixty-five
35 hundredths-percent-of-the-maximum-amount-pursuant-to
36 subsection-2 the greater of nineteen and eight
37 hundredths percent or the prime rate plus six percent.
38 For purposes of this subsection, "prime rate" means
39 the rate of interest as determined and published by
40 the superintendent of banking pursuant to section
41 535.2, subsection 3, paragraph "a". If the billing
42 cycle is not monthly, the maximum charge for the
43 billing cycle shall bear the same relation to the
44 applicable monthly maximum charge as the number of
45 days in the billing cycle bears to three hundred
46 sixty-five divided by twelve. A billing cycle is
47 monthly if the closing date of the cycle is the same
48 date each month or does not vary by more than four
49 days from the regular date."

50 4. Page 1, line 27, by striking the figures "3,

S-3426

1 5," and inserting the following: "5".
 2 5. Page 2, line 3, by inserting after the word
 3 "agreement." the following: "An over-limit charge
 4 shall not be imposed if the creditor has authorized
 5 the transaction or transactions which result in the
 6 cardholder's balance exceeding the limit established
 7 for the cardholder under the agreement."
 8 6. Page 2, by inserting after line 17 the
 9 following:
 10 "Sec. ____ . NEW SECTION. 537.3502 OPEN-END CREDIT
 11 FOR DOOR-TO-DOOR SALES -- PROHIBITED ACTS.
 12 A seller, as defined in section 555A.1, shall not
 13 finance or offer to finance, or arrange or offer to
 14 arrange financing of a door-to-door sale, as defined
 15 in section 555A.1, through open-end credit. A
 16 contract made in violation of this section is void.
 17 This section applies to any person who attempts to
 18 circumvent the prohibition in this section by any
 19 means.
 20 Sec. ____ . Section 537.5201, subsection 1,
 21 paragraph w, Code 1997, is amended to read as follows:
 22 w. Door-to-door sales under section 537.3501 and
 23 537.3502."
 24 7. By renumbering as necessary.

By STEVEN D. HANSEN

S-3426 FILED APRIL 8, 1997

Ruled 9/6 4/14/97 (p.1154)

HOUSE FILE 611

S-3277

- 1 Amend House File 611 as follows:
- 2 1. By striking page 1, line 29, through page 2,
- 3 line 6.
- 4 2. By renumbering as necessary.

By PATRICK J. DELUHERY
NEAL SCHUERER

S-3277 FILED MARCH 27, 1997

Adopted 4/14/97 (p.1154)

HOUSE FILE 611

S-3515

- 1 Amend House File 611, as passed by the House, as
 2 follows:
 3 1. Page 2, by inserting after line 17 the
 4 following:
 5 "Sec. ____ . NEW SECTION. 537.3502 OPEN-END CREDIT
 6 FOR DOOR-TO-DOOR SALES -- PROHIBITED ACTS.
 7 A seller, as defined in section 555A.1, shall not
 8 finance or offer to finance, or arrange or offer to
 9 arrange financing of a door-to-door sale, as defined
 10 in section 555A.1, through open-end credit. A
 11 contract made in violation of this section is void.
 12 This section applies to any person who attempts to
 13 circumvent the prohibition in this section by any
 14 means.
 15 Sec. ____ . Section 537.5201, subsection 1,
 16 paragraph w, Code 1997, is amended to read as follows:
 17 w. Door-to-door sales under section 537.3501 and
 18 537.3502."
 19 2. By renumbering as necessary.

By ROBERT E. DVORSKY

S-3515 FILED APRIL 15, 1997

Ruled 9/0 4-16-97 (p. 1135)

SENATE AMENDMENT TO HOUSE FILE 611

H-1793

- 1 Amend House File 611 as follows:
 2 1. By striking page 1, line 29, through page 2,
 3 line 6.
 4 2. By renumbering as necessary.

RECEIVED FROM THE SENATE

H-1793 FILED APRIL 17, 1997

CONCURRED

(R 1313)

HOUSE FILE 611

S-3514

1 Amend House File 611, as passed by the House, as
2 follows:

3 1. Page 1, by striking lines 13 through 20 and
4 inserting the following:

5 "Sec. ____ . Section 537.2202, subsection 3, Code
6 1997, is amended to read as follows:

7 3. If the billing cycle is monthly, the charge may
8 not exceed an amount which, on a corresponding annual
9 basis, is equal to one-point-sixty-five-percent the
10 greater of nineteen and eight hundredths percent or
11 the prime rate plus six percent. For purposes of this
12 subsection, "prime rate" means the rate of interest as
13 determined and published by the superintendent of
14 banking pursuant to section 535.2, subsection 3,
15 paragraph "a". If the billing cycle is not monthly,
16 the maximum charge for the billing cycle shall bear
17 the same relation to the applicable monthly maximum
18 charge as the number of days in the billing cycle
19 bears to three hundred sixty-five divided by twelve.
20 A billing cycle is monthly if the closing date of the
21 cycle is the same date each month or does not vary by
22 more than four days from the regular date."

23 2. Page 1, by striking lines 21 through 26 and
24 inserting the following:

25 "Sec. ____ . Section 537.2402, subsection 3, Code
26 1997, is amended to read as follows:

27 3. If the billing cycle is monthly, the charge
28 shall not exceed an amount which, on a corresponding
29 annual basis, is equal to one-and-sixty-five
30 hundredths-percent-of-the-maximum-amount-pursuant-to
31 subsection-2 the greater of nineteen and eight
32 hundredths percent or the prime rate plus six percent.
33 For purposes of this subsection, "prime rate" means
34 the rate of interest as determined and published by
35 the superintendent of banking pursuant to section
36 535.2, subsection 3, paragraph "a". If the billing
37 cycle is not monthly, the maximum charge for the
38 billing cycle shall bear the same relation to the
39 applicable monthly maximum charge as the number of
40 days in the billing cycle bears to three hundred
41 sixty-five divided by twelve. A billing cycle is
42 monthly if the closing date of the cycle is the same
43 date each month or does not vary by more than four
44 days from the regular date."

45 3. Page 1, line 27, by striking the figures "3,
46 5," and inserting the following: "5".

47 4. By renumbering as necessary.

By ROBERT E. DVORSKY

S-3514 FILED APRIL 15, 1997

Last 4-16-97 (p. 1194)

HOUSE FILE 611

AN ACT

RELATING TO PERMISSIBLE CHARGES WHICH MAY BE CONTRACTED
FOR AND RECEIVED WITH RESPECT TO OPEN-END CREDIT.

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

Section 1. Section 537.1301, subsection 42, Code 1997, is amended to read as follows:

42. "Supervised financial organization" means a person, other than an insurance company or other organization primarily engaged in an insurance business, which is organized, chartered, or holding an authorization certificate pursuant to chapter 524, 533, or 534, or pursuant to the laws of any other state or of the United States which authorizes the person to make loans and to receive deposits, including a savings, share, certificate or deposit account, and which is subject to supervision by an official or agency of this state, such other state, or of the United States.

Sec. 2. Section 537.2202, subsection 1, Code 1997, is amended to read as follows:

1. With respect to a consumer credit sale made pursuant to open end credit, a creditor may contract for and receive a finance charge not-exceeding-that without limitation as to amount or rate as permitted in this section.

Sec. 3. Section 537.2202, subsection 3, Code 1997, is amended by striking the subsection.

Sec. 4. Section 537.2402, subsection 1, Code 1997, is amended to read as follows:

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

Sec. 5. Section 537.2402, subsections 3, 5, and 6, Code 1997, are amended by striking the subsections.

Sec. 6. Section 537.2502, subsection 4, Code 1997, is amended to read as follows:

4. With respect to open-end credit ~~obtained-pursuant-to-a credit-card-issued-by-the-creditor-which-entitles-the cardholder-to-purchase-or-lease-goods-or-services-from-at least-one-hundred-persons-not-related-to-the-card-issuer,~~ the parties may contract for a delinquency charge on any payment not paid in full when due, as originally scheduled or as deferred, in an amount up to fifteen dollars.

Sec. 7. Section 537.2502, subsections 7 and 8, Code 1997, are amended by striking the subsections.

RON J. CORBETT
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 611, Seventy-seventh General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved May 26, 1997

TERRY E. BRANSTAD
Governor