H. 3/19/97 approved H. 3/19/97 Commerce Reg. FILED MAR 4 1997 H. 3/19/47 amine Do Par SENATE FILE 295 COMMITTEE ON COMMERCE H. 3/26/96 Unfinished Bus-Colondon BY (SUCCESSOR TO SSB 49) Passed Senate, Date 3/18/97 Passed House, Date \_\_\_\_\_ Vote: Ayes <u>46</u> Nays <u>3</u> Vote: Ayes \_\_\_\_ Nays \_\_\_\_

# A BILL FOR

1 An Act relating to finance charges upon refinancing and

Approved

2 consolidation of debts involving consumer credit transactions.

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

4 5 6 7 8 9 10 S. F. 295 11 12 13 14 15 16 17 18 19 20 21 22 23

TLSB 1819SV 77 da/sc/14 S.F. 295 H.F.

Section 1. Section 537.2504, unnumbered paragraph 1, Code 2 1997, 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 / 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 30 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 537.220; 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 1997, is 35 amended by striking the subsection and inserting in lieu

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S.F. **295** H.F.

1 thereof the following:

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.

## **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 Code section 537.2201 or for 18 consumer loans pursuant to Code section 537.2401, whichever is 19 more.

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

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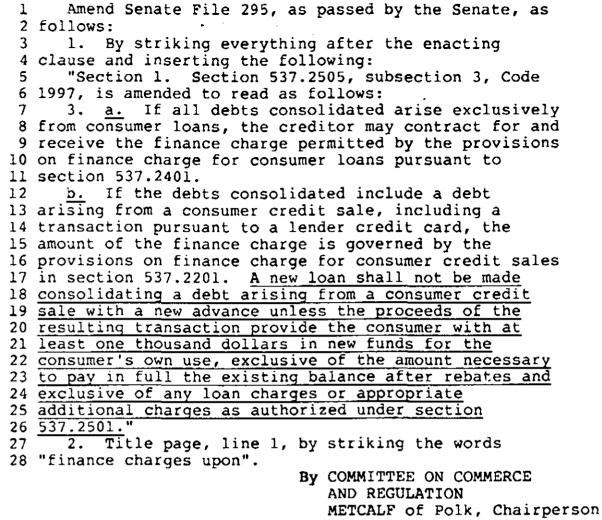
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## SENATE FILE 295





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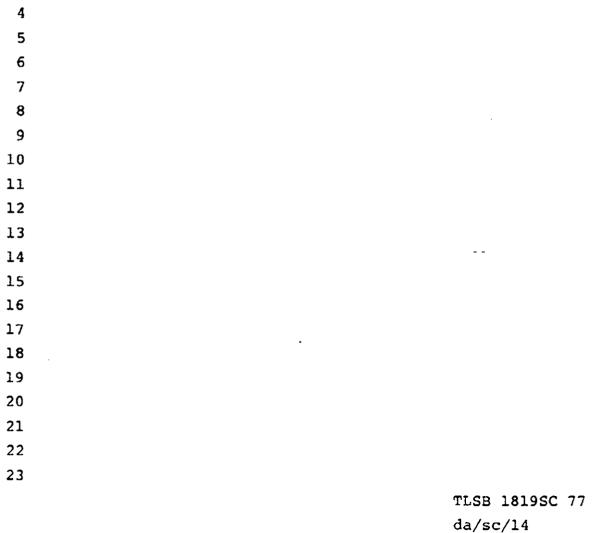
Maddox, Chain	- SSB49
Palmer	Connerce
Schuerer	SENATE FILE BY (PROPOSED COMMITTEE ON COMMERCE BILL BY CHAIR- PERSON JENSEN) SUCCEEDED BY SF AF 295
Passed Senate, Date	Passed House, Date
Vote: Ayes <u>Nays</u> <u>Approved</u>	Vote: Ayes Nays

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