

FEB 3 2000

COMMERCE AND REGULATION

HOUSE FILE
BY SCHRADER

2149

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

A BILL FOR

1 An Act prohibiting additional charges for certain prepayments
2 under the consumer credit code and providing for penalties and
3 a cause of action.

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

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HF 2149

1 Section 1. Section 537.2501, Code Supplement 1999, is
2 amended by adding the following new subsection:

3 NEW SUBSECTION. 4. A creditor shall not contract for or
4 receive an additional charge for any prepayment made or credit
5 balance maintained by a consumer on an account for payment of
6 goods or services.

7 Sec. 2. Section 537.2502, subsections 3 and 6, Code
8 Supplement 1999, are amended to read as follows:

9 3. A delinquency charge shall not be collected under
10 subsection 1 on ~~an~~ either of the following:

11 a. An installment which is paid in full within ten days
12 after its scheduled or deferred installment due date even
13 though an earlier maturing installment or a delinquency or
14 deferral charge on an earlier installment may not have been
15 paid in full. For purposes of this subsection payments are
16 applied first to current installments and then to delinquent
17 installments.

18 b. A prepayment made or credit balance maintained by the
19 consumer in accordance with section 537.2501.

20 6. A delinquency charge shall not be collected under
21 subsection 4 on ~~a~~ either of the following:

22 a. A payment which is paid in full on or before its
23 scheduled or deferred due date even though an earlier maturing
24 payment or a delinquency or deferred charge on an earlier
25 payment has not been paid in full. For purposes of this
26 subsection, payments are applied first to amounts due for the
27 current billing cycle and then to delinquent payments.

28 b. A prepayment made or credit balance maintained by the
29 consumer in accordance with section 537.2501.

30 Sec. 3. Section 537.2601, Code 1999, is amended to read as
31 follows:

32 537.2601 CHARGES FOR OTHER CREDIT TRANSACTIONS.

33 1. ~~Except as provided in subsection 2, with~~ With respect
34 to a credit transaction other than a consumer credit
35 transaction, the parties may contract for the payment by the

1 debtor of any finance or other charge as permitted by law,
2 except as follows:

3 a. With respect to a credit transaction which would be a
4 consumer credit transaction if a finance charge were made, a
5 charge for delinquency may not exceed amounts allowed for
6 finance charges for consumer credit sales pursuant to open-end
7 credit.

8 b. A creditor shall not contract for or receive an
9 additional charge for any prepayment made or credit balance
10 maintained by a consumer on an account for payment of goods or
11 services.

12 2. Except with respect to debt obligations issued by a
13 government, governmental agency or instrumentality, in
14 calculating any finance charge contracted for, any month may
15 be counted as one-twelfth of a year, but a day is to be
16 counted as one three-hundred sixty-fifth of a year.

17 ~~2.--With respect to a credit transaction which would be a~~
18 ~~consumer credit transaction if a finance charge were made, a~~
19 ~~charge for delinquency may not exceed amounts allowed for~~
20 ~~finance charges for consumer credit sales pursuant to open-end~~
21 ~~credit.~~

22 Sec. 4. Section 537.5301, Code 1999, is amended by adding
23 the following new subsection:

24 NEW SUBSECTION. 1A. A person who willfully and knowingly
25 makes additional charges in violation of the following
26 sections shall be subject to a fine in the amount of ten times
27 the amount of the additional charge made to the consumer:

- 28 a. Section 537.2501, subsection 4.
29 b. Section 537.2502, subsection 3, paragraph "b".
30 c. Section 537.2502, subsection 6, paragraph "b".
31 d. Section 537.2601, subsection 1, paragraph "b".

32 EXPLANATION

33 This bill amends certain sections of Code chapter 537
34 pertaining to additional charges made under the consumer
35 credit code.

1 The bill prohibits a creditor from assessing an additional
2 charge, in the form of a delinquency charge or otherwise, when
3 a consumer makes a prepayment or maintains a credit balance on
4 an account for goods or services.

5 Violations of the prohibition are punishable with a fine in
6 the amount of 10 times the amount of the additional charge
7 made to the consumer.

8 If the additional charge is assessed in connection with a
9 credit transaction other than a consumer credit transaction as
10 defined in the Code chapter, the consumer also has a cause of
11 action to recover actual damages and a right to recover a
12 penalty in an amount determined by the court, but not less
13 than \$100 nor more than \$1,000.

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