

Schuerer
Redwine
Hansen

SSB-1101
Commerce

Succeeded By
SENATE FILE SE/HF 318
BY (PROPOSED COMMITTEE ON
COMMERCE BILL BY CHAIRPERSON
JENSEN)

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

A BILL FOR

1 An Act relating to permissible fees and charges which may be
2 assessed and collected with respect to certain consumer credit
3 transactions.

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

5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

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

3 NEW PARAGRAPH. i. With respect to a creditor which is a
4 bank organized under chapter 524 or 12 U.S.C. § 21, an annual
5 account maintenance fee, payable in advance, for the privilege
6 of maintaining a demand deposit account with a line of credit
7 that may be accessed by the account holder writing a check.

8 Sec. 2. Section 537.2502, Code 1999, is amended to read as
9 follows:

10 537.2502 DELINQUENCY CHARGES.

11 1. With respect to a precomputed consumer credit
12 transaction sale, a consumer loan, open-end credit, or a home
13 equity line of credit under section 535.10, the parties may
14 contract for a delinquency charge on any installment or
15 payment not paid in full within ten days after its due date,
16 as originally scheduled or as deferred, in an amount not
17 exceeding the greater of either of the following:

18 a. Five percent of the unpaid amount of the installment or
19 payment, or a maximum of twenty dollars.

20 b. The deferral charge that would be permitted to defer
21 the unpaid amount of the installment or payment for the period
22 that it is delinquent.

23 2. A delinquency charge under subsection 1, paragraph "a",
24 may be collected only once on an installment or payment
25 however long it remains in default. ~~No~~ A delinquency charge
26 may shall not be collected with respect to a deferred
27 installment or payment unless the installment or payment is
28 not paid in full within ten days after its deferred due date.
29 A delinquency charge may be collected at the time it accrues
30 or at any time afterward.

31 3. ~~No~~ A delinquency charge may shall not be collected
32 under subsection 1, paragraph "a", on an installment or
33 payment which is paid in full within ten days after its
34 scheduled or deferred installment or payment due date even
35 though an earlier maturing installment or payment or a

1 delinquency or deferral charge on an earlier installment or
 2 payment may not have been paid in full. For purposes of this
 3 subsection payments on a consumer credit sale, a consumer
 4 loan, or a home equity line of credit under section 535.10 are
 5 applied first to current installments or payments and then to
 6 delinquent installments or payments, and payments on open-end
 7 credit are applied first to an amount due for the current
 8 billing cycle and then to delinquent payments.

9 ~~4.--With-respect-to-open-end-credit, the parties may~~
 10 ~~contract for a delinquency charge on any payment not paid in~~
 11 ~~full when due, as originally scheduled or as deferred, in an~~
 12 ~~amount up to fifteen dollars.~~

13 ~~5.--A delinquency charge under subsection 4 may be~~
 14 ~~collected only once on a payment however long it remains in~~
 15 ~~default.--A delinquency charge shall not be collected with~~
 16 ~~respect to a deferred payment unless the payment is not paid~~
 17 ~~in full on or before its deferred due date.--A delinquency~~
 18 ~~charge may be collected at the time it accrues or at any time~~
 19 ~~afterward.~~

20 ~~6.--A delinquency charge shall not be collected under~~
 21 ~~subsection 4 on a payment which is paid in full on or before~~
 22 ~~its scheduled or deferred due date even though an earlier~~
 23 ~~maturing payment or a delinquency or deferred charge on an~~
 24 ~~earlier payment has not been paid in full.--For purposes of~~
 25 ~~this subsection, payments are applied first to amounts due for~~
 26 ~~the current billing cycle and then to delinquent payments.~~

EXPLANATION

27
 28 This bill amends Code section 537.2501 and provides that in
 29 addition to other permissible charges, a state or national
 30 bank may charge an annual account maintenance fee, payable in
 31 advance, for the privilege of maintaining a demand deposit
 32 account with a line of credit that may be accessed by the
 33 account holder writing a check.

34 This bill amends Code section 537.2502 relating to
 35 delinquency charges associated with certain consumer credit

1 transactions. The bill provides that the parties to a
2 consumer credit sale, a consumer loan, or a home equity line
3 of credit may contract for a delinquency charge on any
4 installment or payment not paid in full within 10 days after
5 its due date, as originally scheduled or as deferred, in an
6 amount not exceeding the greater of five percent of the unpaid
7 amount of the installment or payment, or a maximum of \$20; or
8 a deferral charge that would be permitted to defer the unpaid
9 amount of the installment or payment for the period that it is
10 delinquent. Under current law, such delinquency charge
11 applies only to precomputed consumer credit transactions.

12 The bill increases the maximum delinquency charge which may
13 be assessed with respect to open-end credit from \$15 to the
14 greater of \$20 or a deferral charge that would be permitted to
15 defer the unpaid amount for the period that it is delinquent.
16 The bill also provides that a delinquency charge shall not be
17 collected with respect to an amount that is paid in full
18 within 10 days after its scheduled or deferred due date.
19 Currently, there is no 10-day grace period and a delinquency
20 charge can be collected if a payment amount is not paid in
21 full on or before its scheduled or deferred due date.

22
23
24
25
26
27
28
29
30
31
32
33
34
35

Substituted for - By HF 713
3/23/99 (P. 746)

FILED MAR 8 1999

SENATE FILE 318
BY COMMITTEE ON COMMERCE

WITHDRAWN (SUCCESSOR TO SSB 1101)
3/23/99 (P. 747)

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

A BILL FOR

1 An Act relating to permissible fees and charges which may be
2 assessed and collected with respect to certain consumer credit
3 transactions.

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

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23

SF 318

1 Section 1. Section 537.2502, subsections 1, 2, and 3, Code
2 1999, are amended to read as follows:

3 1. With respect to a precomputed consumer credit
4 transaction sale, a consumer loan, or a home equity line of
5 credit under section 535.10, the parties may contract for a
6 delinquency charge on any installment or payment not paid in
7 full within ten days after its due date, as originally
8 scheduled or as deferred, in an amount not exceeding the
9 greater of either of the following:

10 a. Five percent of the unpaid amount of the installment or
11 payment, or a maximum of twenty fifteen dollars.

12 b. The deferral charge that would be permitted to defer
13 the unpaid amount of the installment or payment for the period
14 that it is delinquent.

15 2. A delinquency charge under subsection 1, paragraph "a",
16 may be collected only once on an installment or payment
17 however long it remains in default. ~~No~~ A delinquency charge
18 ~~may~~ shall not be collected with respect to a deferred
19 installment or payment unless the installment or payment is
20 not paid in full within ten days after its deferred due date.
21 A delinquency charge may be collected at the time it accrues
22 or at any time afterward.

23 3. ~~No~~ A delinquency charge ~~may~~ shall not be collected
24 under subsection 1, paragraph "a", on an installment or
25 payment which is paid in full within ten days after its
26 scheduled or deferred installment or payment due date even
27 though an earlier maturing installment or payment or a
28 delinquency or deferral charge on an earlier installment or
29 payment may not have been paid in full. For purposes of this
30 subsection payments on a consumer credit sale, a consumer
31 loan, or a home equity line of credit under section 535.10 are
32 applied first to current installments or payments and then to
33 delinquent installments or payments.

34

EXPLANATION

35 This bill amends Code section 537.2502 relating to

1 delinquency charges associated with certain consumer credit
2 transactions. The bill provides that the parties to a
3 consumer credit sale, a consumer loan, or a home equity line
4 of credit may contract for a delinquency charge on any
5 installment or payment not paid in full within 10 days after
6 its due date, as originally scheduled or as deferred, in an
7 amount not exceeding the greater of five percent of the unpaid
8 amount of the installment or payment, or a maximum of \$15; or
9 a deferral charge that would be permitted to defer the unpaid
10 amount of the installment or payment for the period that it is
11 delinquent. Under current law, such delinquency charge
12 applies only to precomputed consumer credit transactions.

13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

SENATE FILE 318

3094

1 Amend Senate File 318 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "Section 1. Section 535.10, subsection 3, Code
5 1999, is amended to read as follows:

6 3. a. A lender may collect in connection with
7 establishing or renewing a home equity line of credit
8 the costs listed in section 535.8, subsection 2,
9 paragraph "b", charges for insurance as described in
10 section 537.2501, subsection 2, and a loan processing
11 fee as agreed between the borrower and the lender, and
12 annually may collect an account maintenance fee of not
13 more than fifteen dollars. Fees collected under this
14 subsection shall be disregarded for purposes of
15 determining the maximum charge permitted by subsection
16 4.

17 b. The parties to a home equity line of credit
18 which is not a consumer credit transaction, as defined
19 in section 537.1301, may contract for a delinquency
20 charge under terms no more favorable than those
21 permitted for open-end credit under section 537.2502.

22 Sec. 2. NEW SECTION. 535.14 PROMPT PAYMENT ON
23 LOANS SECURED BY RESIDENTIAL REAL PROPERTY.

A lender is subject to the requirements set forth
in section 537.3206, regarding the prompt crediting of
26 payments, with respect to a loan secured by a lien or
27 security interest on owner-occupied residential real
28 property. For purposes of this section, "residential
29 real property" means residential real property as
30 defined in section 535B.1.

31 Sec. 3. Section 537.2502, subsections 1, 2, and 3,
32 Code 1999, are amended to read as follows:

33 1. With respect to a precomputed consumer credit
34 transaction not pursuant to an open-end credit
35 arrangement and other than a consumer lease or
36 consumer rental purchase agreement, the parties may
37 contract for a delinquency charge on any installment
38 not paid in full within ten days after its due date,
39 as originally scheduled or as deferred, in an amount
40 ~~not exceeding the greater of either of the following~~
41 as follows:

42 a. For a precomputed transaction, an amount not
43 exceeding the greater of either of the following:

44 a- (1) Five percent of the unpaid amount of the
45 installment, or a maximum of twenty dollars.

46 b- (2) The deferral charge that would be permitted
47 to defer the unpaid amount of the installment for the
48 period that it is delinquent.

49 b. For an interest-bearing transaction, an amount
not exceeding five percent of the unpaid amount of the

-3094

-1-

S-3094

Page 2

1 installment, or a maximum of fifteen dollars.

2 2. A delinquency charge under subsection 17
3 ~~paragraph-"a"~~, may be collected only once on an
4 installment however long it remains in default. No
5 delinquency charge may be collected with respect to a
6 deferred installment unless the installment is not
7 paid in full within ten days after its deferred due
8 date. A delinquency charge may be collected at the
9 time it accrues or at any time afterward.

10 3. ~~No~~ A delinquency charge ~~may~~ shall not be
11 collected under subsection 17, ~~paragraph-"a"~~, on an
12 installment which is paid in full within ten days
13 after its scheduled or deferred installment due date
14 even though an earlier maturing installment or a
15 delinquency or deferral charge on an earlier
16 installment may not have been paid in full. For
17 purposes of this subsection payments are applied first
18 to current installments and then to delinquent
19 installments.

20 Sec. 4. Section 537.3206, Code 1999, is amended by
21 adding the following new subsection:

22 NEW SUBSECTION. 4. a. A creditor shall credit a
23 payment to the consumer's account as of the date of
24 receipt, except when a delay in crediting does not
25 result in a finance or other charge, including a late
26 charge, or except as provided in paragraph "b". For
27 purposes of this subsection, a delay in posting does
28 not violate this subsection so long as the payment is
29 credited as of the date of receipt.

30 b. If a creditor specifies requirements for the
31 consumer to follow in making payments on the contract,
32 payment coupon book, payment coupon or statement, or
33 periodic statement, but accepts a payment that does
34 not conform to the requirements, the creditor shall
35 credit the payment within two days of receipt of such
36 payment.

37 c. If a creditor fails to credit a payment as
38 required by this subsection in time to avoid the
39 imposition of a finance or other charge, including a
40 delinquency charge, the creditor shall adjust the
41 consumer's account so that the charges imposed are
42 credited to the consumer's account during the next
43 payment period."

44 2. Title page, by striking lines 1 through 3 and
45 inserting the following: "An Act relating to
46 permissible fees and charges which may be assessed and
47 collected with respect to certain consumer credit
48 transactions."
49

By NEAL SCHUERER

S-3094 FILED MARCH 17, 1999

adopted
3/23/99
(p. 746)