

FEB 13 2003

COMMERCE, REGULATION & LABOR

HOUSE FILE 197
BY JOCHUM and MASCHER

(COMPANION TO LSB 1242SS
BY BOLKOM)

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

A BILL FOR

1 An Act relating to required notices and disclosures of delayed
2 deposit services, prohibited acts by licensees, and providing
3 for fees.

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

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HF 197

1 Section 1. Section 533D.9, Code 2003, is amended to read
2 as follows:

3 533D.9 FEE RESTRICTION -- REQUIRED DISCLOSURE.

4 1. A licensee shall not charge, contract for, or directly
5 or indirectly receive any interest, fees, or charges, except
6 those specifically authorized by this section:

7 a. TRANSACTION FEE. A licensee shall not charge a fee in
8 excess of fifteen five dollars on-the-first-one per hundred
9 dollars on-the-face-amount of a-check-or-more-than-ten-dollars
10 on-subsequent-one-hundred-dollar-increments-on-the-face-amount
11 of-the-check-for-services-provided-by-the-licensee, or pro
12 rata-for-any-portion-of-one-hundred-dollars-face-value the
13 amount financed. However, the licensee may receive a minimum
14 charge of five dollars when the amount financed exceeds
15 seventy-five dollars, or three dollars and fifty cents when
16 the amount financed exceeds fifty dollars.

17 b. DEFAULT FEE. If the check is not negotiable on the
18 date agreed upon, a licensee may charge a default fee, not to
19 exceed fifteen dollars. Only one such fee may be collected
20 with respect to a check even if it has been redeposited and
21 returned more than once, no matter how long the check remains
22 unpaid. A fee charged pursuant to this section is a
23 licensee's exclusive remedy and charge for late payment or
24 nonpayment.

25 2. A licensee shall give to the maker of the check, at the
26 time any delayed deposit service transaction is made, or if
27 there are two or more makers, to one of them, notice written
28 in clear, understandable language disclosing all of the
29 following:

30 a. The transaction fee to be charged for-the-transaction.

31 b. The annual percentage rate on the first-hundred-dollars
32 on-the-face-amount-of-the-check-which-the-fee-represents, and
33 the-annual-percentage-rate-on-subsequent-one-hundred-dollar
34 increments-which-the-fee-represents, if-different transaction.

35 c. The date on which the check will be deposited or

1 presented for negotiation.

2 d. ~~Any penalty, not to exceed fifteen dollars, which~~ The
3 default fee that the licensee will charge if the check is not
4 negotiable on the date agreed upon. ~~A penalty~~ The notice
5 shall state that the default fee to be charged pursuant to
6 this section shall only be collected by the licensee once on a
7 check no matter how long the check remains unpaid. ~~A penalty;~~
8 and that a default fee to be charged pursuant to this section
9 is a licensee's exclusive remedy and if a licensee charges a
10 penalty default fee pursuant to this section no other
11 penalties under this chapter or any other provision apply.

12 3. In addition to the notice required by subsection 2,
13 every licensee shall conspicuously display a schedule of all
14 fees, charges, and penalties for all services provided by the
15 licensee authorized by this section. The notice shall be
16 posted at the office and every branch office of the licensee.
17 The licensee shall provide a written schedule of the fees,
18 charges, interest rates, and penalties upon request.

19 4. The licensee shall make all notices and disclosures
20 required under this section available in the languages spoken
21 by consumers who frequent that location.

22 Sec. 2. Section 533D.10, Code 2003, is amended to read as
23 follows:

24 533D.10 PROHIBITED ACTS BY LICENSEE.

25 1. A licensee shall not do any of the following:

26 a. Hold from any one maker more than ~~two checks~~ one check
27 at any one time.

28 b. Hold from any one maker a check ~~or checks in an~~
29 ~~aggregate face amount~~ of more than ~~five~~ three hundred dollars
30 at any one time.

31 c. Hold or agree to hold a check for more than thirty-one
32 days.

33 d. Require the maker to receive payment by a method ~~which~~
34 that causes the maker to pay additional or further fees and
35 charges to the licensee or another person.

1 e. Repay, refinance, or otherwise consolidate a postdated
2 check transaction with the proceeds of another postdated check
3 transaction made by the same licensee.

4 f. Receive any other charges or fees in addition to the
5 fees listed in section 533D.9, subsections subsection 1 and-2.

6 g. The termination of a delayed deposit transaction either
7 through the payment of the consumer's check by the drawee
8 bank, through the return of the check to a consumer who
9 redeems it for consideration, through expiration of the
10 check's maturity date, or through any other method of
11 termination. The licensee shall not enter into another
12 delayed deposit transaction with the same consumer for at
13 least two days after the termination of a delayed deposit
14 transaction either through the payment of the consumer's check
15 by the drawee bank, through the return of the check to a
16 consumer who redeems it for consideration, through expiration
17 of the check's maturity date, or through any other method of
18 termination. However, the licensee may extend the term of the
19 loan without charge.

20 2. For purposes of this section, "licensee" includes a
21 person related to the licensee by common ownership or control,
22 a person in whom the licensee has any financial interest, or
23 any employee or agent of the licensee.

24 EXPLANATION

25 This bill makes amendments to Code chapter 533D, delayed
26 deposit services, more commonly known as payday loans.

27 The bill specifically amends Code section 533D.9 to require
28 licensees to limit the fees that can be charged in connection
29 with a delayed deposit transaction, to make available upon
30 request written schedules of charges, fees, penalties, and
31 interest rates that are posted on location, and to provide
32 that notices and disclosures be provided in languages spoken
33 by the consumers.

34 The bill also amends Code section 533D.10 to prohibit a
35 licensee from holding more than one check from a maker at any

1 one time, limiting that check to \$300 instead of \$500, and
2 requiring at least a two-day waiting period at the conclusion
3 of a delayed deposit transaction before entering into another
4 transaction with the same consumer.

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