

Senate File 2148 - Introduced

SENATE FILE 2148

BY ZAUN

A BILL FOR

1 An Act relating to interest rate limitations applicable to
2 specified postsecondary educational loans, and making civil
3 penalties applicable.

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

1 Section 1. NEW SECTION. 261F.5A Interest rates —
2 limitation.

3 1. For purposes of this section, "federal prime rate" means
4 the interest rate charged by banks on short-term business
5 loans, as determined by the board of governors of the federal
6 reserve system and published in the federal reserve bulletin.

7 2. Notwithstanding any provision to the contrary, the
8 interest rate collected or imposed by a lender or lending
9 institution on a private educational loan in this state shall
10 not be more than three percentage points over the federal prime
11 rate for the life of the loan.

12 3. This section shall not be interpreted to supersede,
13 conflict with, or apply to any interest rate specifications or
14 requirements applicable to a loan that is made, insured, or
15 guaranteed under Tit. IV of the federal Higher Education Act of
16 1965, as amended, directly to a borrower solely for educational
17 purposes or to any other loan providing for postsecondary
18 educational expenses pursuant to a federal program.

19 EXPLANATION

20 The inclusion of this explanation does not constitute agreement with
21 the explanation's substance by the members of the general assembly.

22 This bill puts a limit on the interest rates of private
23 educational loans provided to borrowers in the state.

24 The bill limits the interest rate imposed by a lender on
25 a private educational loan to no more than three percentage
26 points over the federal prime rate for the life of the loan.
27 The bill defines "federal prime rate" as the rate of interest
28 charged by banks on short-term business loans, as determined
29 by the board of governors of the federal reserve system and
30 published in the federal reserve bulletin.

31 The bill provides that the interest rate limitation shall
32 not be interpreted to apply to educational loans made, insured,
33 or guaranteed by the federal government.

34 Pursuant to current Code section 261F.8, a lender or lending
35 institution that violates a provision of Code chapter 261F is

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1 subject to a civil penalty of \$5,000 per violation, in addition
2 to other specified sanctions.