

House File 2375 - Introduced

HOUSE FILE 2375
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 599)

A BILL FOR

1 An Act relating to permissible interest rates and charges for
2 certain loans.

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

1 Section 1. Section 536.13, subsection 7, paragraph a, Code
2 2018, is amended to read as follows:

3 a. The superintendent may establish the maximum rate of
4 interest or charges as permitted under [this chapter](#) for those
5 loans with an unpaid principal balance of ~~ten~~ thirty thousand
6 dollars or less. For those loans with an unpaid principal
7 balance of over ~~ten~~ thirty thousand dollars, the maximum rate
8 of interest or charges which a licensee may charge shall be
9 the greater of the rate permitted by [chapter 535](#) or the rate
10 authorized for supervised financial organizations by chapter
11 537.

12 Sec. 2. Section 537.2401, subsection 1, Code 2018, is
13 amended to read as follows:

14 1. Except as provided with respect to a finance charge for
15 loans pursuant to open-end credit under [section 537.2402](#) and
16 loans secured by a certificate of title of a motor vehicle
17 under [section 537.2403](#), a lender may contract for and receive
18 a finance charge not exceeding the maximum charge permitted
19 by the laws of this state or of the United States for similar
20 lenders, and, in addition, with respect to a consumer loan,
21 a supervised financial organization or a mortgage lender may
22 contract for and receive a finance charge, calculated according
23 to the actuarial method, not exceeding the sum of a service
24 charge, collected in advance and equal to the lesser of two
25 percent of the amount financed or one hundred twenty dollars,
26 and twenty-one percent per year on the unpaid balance of the
27 amount financed. Except as provided in [section 537.2403](#), this
28 subsection does not prohibit a lender from contracting for and
29 receiving a finance charge exceeding the sum of the authorized
30 service charge and twenty-one percent per year on the unpaid
31 balance of the amount financed on consumer loans if authorized
32 by other provisions of the law.

33 Sec. 3. Section 537.2403, subsection 1, Code 2018, is
34 amended to read as follows:

35 1. ~~A lender shall not contract for or receive a finance~~

1 ~~charge exceeding twenty-one percent per year on the unpaid~~
2 ~~balance of the amount financed for~~ For a loan of money secured
3 by a certificate of title to a motor vehicle used for personal,
4 family, or household purpose except as authorized under chapter
5 536 or 536A, a lender shall not contract for or receive a
6 finance charge exceeding the sum of a service charge, collected
7 in advance and equal to the lesser of two percent of the amount
8 financed or one hundred twenty dollars, and twenty-one percent
9 per year on the unpaid balance of the amount financed. A
10 consumer who is charged a finance charge in excess of the
11 limitation in this section may seek any remedies available
12 pursuant to this chapter for an excess charge.

13 Sec. 4. Section 537.2501, subsection 1, Code 2018, is
14 amended by adding the following new paragraph:

15 NEW PARAGRAPH. 1. For an interest-bearing consumer credit
16 transaction, a service charge in an amount not to exceed the
17 lesser of ten percent of the amount financed or thirty dollars.

18 Sec. 5. Section 537.2510, subsection 3, paragraph a, Code
19 2018, is amended to read as follows:

20 a. If the prepayment is in full, the creditor may collect
21 or retain a minimum charge not exceeding five dollars in a
22 transaction which had an amount financed of seventy-five
23 dollars or less, or not exceeding seven dollars and fifty cents
24 in a transaction which had an amount financed of more than
25 seventy-five dollars, if the minimum charge was contracted
26 for, and the finance charge earned at the time of prepayment
27 is less than the minimum charge contracted for. If, however,
28 a creditor has collected a service charge in association with
29 an interest-bearing consumer credit transaction pursuant to
30 section 537.2501, subsection 1, paragraph "1", the creditor
31 shall not collect or retain a minimum charge upon prepayment
32 pursuant to this subsection.

33 Sec. 6. Section 537.2510, Code 2018, is amended by adding
34 the following new subsection:

35 NEW SUBSECTION. 9. This section does not apply to a service

1 charge collected pursuant to section 537.2501, subsection 1,
2 paragraph "1".

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EXPLANATION

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The inclusion of this explanation does not constitute agreement with

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the explanation's substance by the members of the general assembly.

6 This bill relates to permissible interest rates and charges
7 for certain loans.

8 Current law allows the superintendent of banking to
9 establish the maximum rate of interest or charges for regulated
10 loans subject to Code chapter 536 with unpaid principal
11 balances of \$10,000 or less. The bill increases this amount to
12 \$30,000. For loans with unpaid principal balances in excess
13 of \$30,000 (formerly \$10,000), the maximum interest rate or
14 charges a lender may charge remains the greater of the rate
15 permitted in Code chapter 535 or the rate authorized for
16 supervised financial organizations in Code chapter 537.

17 Current law allows a supervised financial organization or
18 mortgage lender to contract for and receive a finance charge
19 not exceeding 21 percent per year on the unpaid balance of the
20 amount financed for a consumer loan subject to Code chapter 537
21 that is not pursuant to open-end credit. The bill provides
22 that such finance charge may also include a service charge,
23 collected in advance and equal to the lesser of 2 percent of
24 the amount financed or \$120, in addition to 21 percent per
25 year on the unpaid balance of the consumer loan. A lender may
26 contract for and receive a finance charge in excess of this
27 amount if authorized by other provisions of the law. Under
28 current law, the maximum finance charge amount for a consumer
29 loan as provided in the bill also serves as the maximum amount
30 for interest rates on certain consumer loans made by state
31 credit unions (Code section 533.316), the maximum finance
32 charge amount applicable to certain supervised loans (Code
33 section 537.2308), and the maximum finance charge applicable
34 to certain consumer credit transactions on refinancing (Code
35 section 537.2504) and consolidation (Code section 537.2505).

1 Additionally, current law allows a lender to contract for
2 and receive a finance charge not exceeding 21 percent per
3 year on the unpaid balance of the amount financed for a loan
4 secured by a certificate of title to certain motor vehicles.
5 The bill provides that such finance charge may also include a
6 service charge, collected in advance and equal to the lesser
7 of 2 percent of the amount financed or \$120, in addition to 21
8 percent per year on the unpaid balance of the consumer loan.

9 The bill authorizes a creditor to contract for and receive,
10 for an interest-bearing consumer credit transaction, a service
11 charge in an amount not to exceed the lesser of 10 percent
12 of the amount financed or \$30. The bill provides that if a
13 creditor has received such a service charge, the creditor
14 shall not collect or retain a minimum charge upon prepayment
15 as authorized under Code section 537.2510. The bill specifies
16 that Code section 537.2510, relating to rebate upon prepayment,
17 does not apply to service charges collected pursuant to the
18 bill.