

**House File 87 - Introduced**

HOUSE FILE 87  
BY WESSEL-KROESCHELL

**A BILL FOR**

1 An Act establishing maximum interest rates to be charged by  
2 pawnbrokers on pawnbroking transactions.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 535.2, subsection 1, unnumbered  
2 paragraph 1, Code 2017, is amended to read as follows:

3 Except as provided in subsection subsections 2 and 8, the  
4 rate of interest shall be five cents on the hundred by the  
5 year in the following cases, unless the parties shall agree in  
6 writing for the payment of interest at a rate not exceeding the  
7 rate permitted by subsection 3:

8 Sec. 2. Section 535.2, Code 2017, is amended by adding the  
9 following new subsection:

10 NEW SUBSECTION. 8. *a.* Notwithstanding any other provision  
11 of this section, the maximum rate of interest charged by a  
12 pawnbroker on a pawnbroking transaction shall not be more  
13 than ten percent per month on a pawnbroking transaction of  
14 twenty-five dollars or less, seven percent per month on a  
15 pawnbroking transaction of more than twenty-five dollars and  
16 less than one hundred dollars, or five percent per month on a  
17 pawnbroking transaction of one hundred dollars or more.

18 *b.* For the purposes of this subsection:

19 (1) "*Pawnbroker*" means any person authorized by law to  
20 engage in the business of conducting pawnbroking transactions.  
21 "*Pawnbroker*" does not include any bank regulated by this state,  
22 the comptroller of the currency of the United States, the  
23 federal deposit insurance corporation, the board of governors  
24 of the federal reserve system, or any other federal or state  
25 authority or their affiliates; any bank or savings association  
26 whose deposits or accounts are eligible for insurance by  
27 the federal deposit insurance corporation or any successor  
28 thereto; any state or federally chartered credit union; or any  
29 industrial loan or thrift company or regulated lender subject  
30 to licensing and regulation by the department of commerce.

31 (2) "*Pawnbroking transaction*" means any loan on the security  
32 of pledged goods or any purchase of pledged goods on the  
33 condition that the pledged goods are left with the pawnbroker  
34 and may be redeemed or repurchased by the seller for a fixed  
35 price within a fixed period of time.

1 (3) "Person" means an individual, partnership, corporation,  
2 limited liability company, joint venture, trust, association,  
3 or any other legal entity, however organized.

4 (4) "Pledged goods" means tangible personal property  
5 other than securities, bank drafts, or printed evidence  
6 of indebtedness, that are purchased by, deposited with,  
7 or otherwise actually delivered into the possession of a  
8 pawnbroker in connection with a pawnbroking transaction.

9 EXPLANATION

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

12 This bill establishes maximum interest rates that may be  
13 charged by pawnbrokers on pawnbroking transactions.

14 Currently, Code section 535.2 establishes the maximum lawful  
15 interest rates chargeable on loans. The bill provides an  
16 exception to this maximum interest rate regarding the maximum  
17 interest rates that pawnbrokers can charge on pawnbroking  
18 transactions. The bill provides that the maximum interest rate  
19 for pawnbroking transactions of \$25 or less is 10 percent per  
20 month, 7 percent per month for pawnbroking transactions over  
21 \$25 but less than \$100, and 5 percent per month for pawnbroking  
22 transactions of \$100 or more.

23 Pursuant to Code section 535.5, a person charged a higher  
24 rate of interest than these specified rates may obtain a court  
25 judgment to pay back only the principal amount of the debt  
26 without interest or costs. In addition, a pawnbroker found in  
27 violation forfeits 8 percent of the unpaid principal debt at  
28 the time of judgment.

29 The bill provides several definitions relating to interest  
30 rates applicable to pawnbroking transactions. The bill defines  
31 a "pawnbroker" to mean any person who engages in the business  
32 of conducting pawnbroking transactions. The bill specifies a  
33 list of entities that are not included in the definition of  
34 "pawnbroker". The bill defines a "pawnbroking transaction" to  
35 mean any loan on the security of pledged goods or any purchase

1 of pledged goods on the condition that the pledged goods are  
2 left with the pawnbroker and may be redeemed or repurchased by  
3 the seller for a fixed price within a fixed period of time.  
4 The bill defines "pledged goods" to mean tangible personal  
5 property other than securities, bank drafts, or printed  
6 evidence of indebtedness, that are purchased by, deposited  
7 with, or otherwise actually delivered into the possession of a  
8 pawnbroker in connection with a pawnbroking transaction.