

House Study Bill 126 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE
ON COMMERCE BILL BY
CHAIRPERSON COWNIE)

A BILL FOR

1 An Act relating to certain charges for consumer credit
2 transactions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 537.2501, subsection 1, Code 2017, is
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. *k.* Credit reporting charges and charges for
4 a dishonored consumer credit transaction payment as provided in
5 section 554.3512.

6 Sec. 2. Section 537.2502, subsection 1, paragraphs a and b,
7 Code 2017, are amended to read as follows:

8 *a.* For a precomputed transaction, an amount not exceeding
9 the greater of either of the following:

10 (1) ~~Five~~ Ten percent of the unpaid amount of the
11 installment, or a maximum of ~~twenty~~ thirty dollars.

12 (2) The deferral charge that would be permitted to defer
13 the unpaid amount of the installment for the period that it is
14 delinquent.

15 *b.* For an interest-bearing transaction, an amount not
16 exceeding ~~five~~ ten percent of the unpaid amount of the
17 installment, or a maximum of ~~fifteen~~ thirty dollars.

18 Sec. 3. Section 537.2502, subsection 4, Code 2017, is
19 amended to read as follows:

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

24 Sec. 4. Section 537.2502, Code 2017, is amended by adding
25 the following new subsection:

26 NEW SUBSECTION. 7. With respect to an interest-bearing
27 consumer credit transaction, the parties may contract for
28 a post-maturity interest rate at a rate not exceeding that
29 permitted for a finance charge under section 535.10, 537.2401,
30 537.2402, or 537.2403.

31 Sec. 5. Section 537.2510, subsection 3, unnumbered
32 paragraph 1, Code 2017, is amended to read as follows:

33 ~~Upon prepayment, but not otherwise, of a consumer credit~~
34 ~~transaction whether or not precomputed, of a precomputed~~
35 consumer credit transaction other than a consumer lease, a

1 consumer rental purchase agreement, or a transaction pursuant
2 to open-end credit:

3 Sec. 6. Section 537.2510, Code 2017, is amended by adding
4 the following new subsection:

5 NEW SUBSECTION. 8. This section does not apply to an
6 interest-bearing consumer credit transaction.

7 EXPLANATION

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

10 This bill modifies provisions relating to certain charges
11 for consumer credit transactions.

12 Code section 537.2501 sets forth the charges that a creditor
13 may receive pursuant to a consumer credit transaction in
14 addition to a finance charge. The bill provides that in
15 addition to the charges provided in current Code section
16 537.2501, a creditor may receive credit reporting charges and
17 charges for dishonored checks as provided in Code section
18 554.3512.

19 Current Code section 537.2502 allows the parties in certain
20 consumer credit transactions to contract for delinquency
21 charges. For a precomputed consumer credit transaction, the
22 maximum delinquency charge is increased from the greater of 5
23 percent of the unpaid installment or \$20, to the greater of
24 10 percent of the unpaid installment or \$30, or the deferral
25 charge amount. For an interest-bearing consumer credit
26 transaction, the maximum delinquency charge is increased from 5
27 percent of the unpaid installment or \$15, to 10 percent of the
28 unpaid installment or \$30. For an open-end credit arrangement,
29 the maximum delinquency charge is increased from \$15 to \$30.
30 The bill also provides that with respect to an interest-bearing
31 transaction, the parties may contract for a post-maturity
32 interest rate at a rate not exceeding a finance charge that
33 is permitted under Code section 535.10 (home equity line of
34 credit), 537.2401 (consumer loans not pursuant to open-end
35 credit), 537.2402 (consumer loans pursuant to open-end credit),

1 or 537.2403 (consumer loans secured by a motor vehicle).
2 Current Code section 537.2510 requires creditors to rebate
3 certain amounts to consumers upon the prepayment of precomputed
4 consumer credit transactions. The bill limits the charges
5 allowed in Code section 537.2510(3) to be applicable only upon
6 the prepayment of precomputed consumer credit transactions.
7 The bill specifically provides that Code section 537.2510 does
8 not apply to interest-bearing consumer credit transactions.