

**Senate Study Bill 3158 - Introduced**

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE  
ON COMMERCE BILL BY  
CHAIRPERSON CHAPMAN)

**A BILL FOR**

1 An Act relating to permissible interest rates and finance  
2 charges for 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 EXPLANATION

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

16 This bill relates to permissible interest rates and finance  
17 charges for certain loans.

18 Current law allows the superintendent of banking to  
19 establish the maximum rate of interest or charges for regulated  
20 loans subject to Code chapter 536 with unpaid principal  
21 balances of \$10,000 or less. The bill increases this amount to  
22 \$30,000. For loans with unpaid principal balances in excess  
23 of \$30,000 (formerly \$10,000), the maximum interest rate or  
24 charges a lender may charge remains the greater of the rate  
25 permitted in Code chapter 535 or the rate authorized for  
26 supervised financial organizations in Code chapter 537.

27 Current law allows a supervised financial organization or  
28 mortgage lender to contract for and receive a finance charge  
29 not exceeding 21 percent per year on the unpaid balance of the  
30 amount financed for a consumer loan subject to Code chapter 537  
31 that is not pursuant to open-end credit. The bill provides  
32 that such finance charge may also include a service charge,  
33 collected in advance and equal to the lesser of 2 percent of  
34 the amount financed or \$120, in addition to 21 percent per  
35 year on the unpaid balance of the consumer loan. A lender may

1 contract for and receive a finance charge in excess of this  
2 amount if authorized by other provisions of the law. Under  
3 current law, the maximum finance charge amount for a consumer  
4 loan as provided in the bill also serves as the maximum amount  
5 for interest rates on certain consumer loans made by state  
6 credit unions (Code section 533.316), the maximum finance  
7 charge amount applicable to certain supervised loans (Code  
8 section 537.2308), and the maximum finance charge applicable  
9 to certain consumer credit transactions on refinancing (Code  
10 section 537.2504) and consolidation (Code section 537.2505).

11 Additionally, current law allows a lender to contract for  
12 and receive a finance charge not exceeding 21 percent per  
13 year on the unpaid balance of the amount financed for a loan  
14 secured by a certificate of title to certain motor vehicles.  
15 The bill provides that such finance charge may also include a  
16 service charge, collected in advance and equal to the lesser  
17 of 2 percent of the amount financed or \$120, in addition to 21  
18 percent per year on the unpaid balance of the consumer loan.