A BILL FOR

1 An Act relating to delayed deposit services by limiting the
2 annual percentage rate for fees and requiring a delayed
3 deposit repayment option in certain circumstances and making
4 penalties applicable.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
Section 1. Section 533D.9, subsection 2, paragraph b, Code 2019, is amended to read as follows:

b. The annual percentage rate as computed pursuant to the federal Truth in Lending Act. The annual percentage rate shall not exceed thirty-six percent.

Sec. 2. Section 533D.9, subsection 2, Code 2019, is amended by adding the following new paragraph:

NEW PARAGRAPH. e. That a maker obtaining more than four delayed deposit service loans from one licensee in a two-month period shall have the option to enter into an extended repayment plan agreement with the licensee pursuant to section 533D.9A upon the maker’s request and prior to the date the last check accepted by the licensee is to be negotiable.

Sec. 3. NEW SECTION. 533D.9A Extended repayment plan.

1. Any maker obtaining more than four delayed deposit service loans from one licensee in a two-month period shall enter into an extended repayment plan agreement with the licensee if the maker requests to enter into such agreement prior to the date upon which the last check accepted by the licensee is to be negotiable. Except as provided in this section, the licensee shall not initiate debt collection, as defined by section 537.7102, civil court proceedings, or arbitration to collect on any unpaid checks during the term of the extended repayment plan agreement.

2. A licensee is required to enter into only one extended repayment plan agreement with a maker in a twelve-month period, measured from the commencement date of the first extended repayment plan agreement until the commencement date of the second extended repayment plan agreement.

3. A licensee shall not assess any other fee, interest charge, or other fee or charge on the maker as a result of entering into an extended repayment plan agreement concerning any unpaid check obligations.

4. a. The maker shall be allowed to pay the total unpaid check obligations to be charged in at least four substantially
equal installments due on dates or soon after dates when the maker will receive regular income, or on dates as mutually agreed upon by the maker and the licensee. The extended repayment plan agreement shall contain a schedule for the payment of the total unpaid check obligations.

b. The extended repayment plan agreement shall be in writing and signed by both the maker and the licensee.

5. Upon entering into an extended repayment plan agreement, the licensee shall return any postdated checks that the maker has given to the licensee for the original delayed deposit services transactions and shall do one of the following:

a. The licensee shall require the maker at the time of entering into an extended repayment plan agreement to make a new check for the balance on any unpaid checks and upon each payment by the maker under the extended repayment plan agreement, the licensee shall require a new check for the remaining balance and return any previous check to the maker.

b. The licensee shall require the maker at the time of entering into the extended repayment plan agreement to provide multiple checks, one for each of the scheduled payments under the extended repayment plan agreement.

6. During the duration of the extended repayment plan agreement, the obligations the maker owes on any unpaid checks are not delinquent and the licensee shall not charge a penalty pursuant to section 533D.9, subsection 2.

7. Upon the maker's failure to make a scheduled payment pursuant to the extended repayment plan agreement, the licensee may charge a penalty pursuant to section 533D.9, subsection 2, and may initiate debt collection as defined in section 537.7102, civil court proceedings, or arbitration to collect on any unpaid checks.

EXPLANATION

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

This bill modifies provisions applicable to delayed deposit
The bill limits the annual percentage rate applicable to a delayed deposit services transaction to 36 percent, as computed pursuant to the federal Truth in Lending Act. The bill requires a licensee holding multiple checks from one maker at any one time to enter into an extended repayment plan agreement if the maker of the multiple checks requests to enter into such agreement prior to the date upon which the checks are to be negotiable. The licensee may not initiate debt collection, civil court proceedings, or arbitration to collect on the unpaid checks during the term of the extended repayment plan agreement. A licensee need only enter into one extended repayment plan agreement with a maker of multiple checks in a 12-month period. A licensee cannot charge a fee, interest charge, or other charge as a result of entering into an extended repayment plan agreement. During the duration of the agreement, the obligations that the maker owes on the unpaid checks are not delinquent and the licensee cannot charge penalties for a delinquent obligation. The bill allows a maker obtaining more than four delayed deposit service loans from one licensee in a two-month period to enter into an extended repayment plan agreement with the licensee if the maker requests to enter into such an agreement prior to the date upon which the last check accepted by the licensee is to be negotiable. The licensee may not initiate debt collection, civil court proceedings, or arbitration to collect on any unpaid checks during the term of the extended repayment plan agreement. A licensee need only enter into one extended repayment plan agreement with a maker in a 12-month period. A licensee cannot charge a fee, interest charge, or other charge as a result of entering into an extended repayment plan agreement. During the duration of the agreement, the obligations that the maker owes on any unpaid checks are not delinquent and the licensee cannot charge penalties for a delinquent obligation.
The bill requires the extended repayment plan agreement to be in writing, signed by the maker and the licensee, and contain the schedule for payment of the total unpaid check obligations. The schedule must allow the maker to pay the checks in at least four substantially equal installments. The bill requires the licensee to return any postdated checks that the maker has given to the licensee for the original transactions. The licensee may then either require the maker to provide a new check for the balance on the unpaid checks or provide multiple checks for each scheduled payment under the agreement. The bill states that upon the maker's failure to make a scheduled payment, the licensee may charge a penalty pursuant to Code section 533D.9(2), and may initiate debt collection, civil court proceedings, or arbitration to collect on the unpaid checks. A violation of the bill may result in an administrative fine of not more than $5,000 for each violation and the cost of investigation.