

House Study Bill 34 - Introduced

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

A BILL FOR

1 An Act relating to application fees for certain consumer loans.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 537.2501, subsection 1, paragraph j,
2 Code 2019, is amended to read as follows:

3 j. For a consumer loan where the amount financed does not
4 exceed three thousand dollars and the term of the loan does
5 not exceed twelve months, a bank, credit union incorporated
6 pursuant to state or federal law, or a federally chartered
7 or out-of-state chartered savings bank or savings and loan
8 association may charge an additional application fee not to
9 exceed the lesser of ten percent of the amount financed or
10 thirty dollars. ~~If the loan is not approved, the application~~
11 ~~fee shall not exceed the lesser of ten percent of the amount~~
12 ~~applied for by the applicant or thirty dollars~~ The fee
13 permitted pursuant to this paragraph may be charged solely to
14 applicants who are approved or to all applicants. The fee
15 permitted pursuant to this paragraph shall not be charged
16 in connection with a loan used for the purchase of a motor
17 vehicle, or for a loan where the borrower's dwelling is used
18 as security.

19 EXPLANATION

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

22 Code section 537.2501(1)(j) allows a creditor to charge an
23 application fee for consumer loans where the amount financed
24 does not exceed \$3,000 and the term of the loan does not exceed
25 12 months, in addition to a finance charge. The specified
26 application fee is the same for loans that are approved and
27 loans that are not approved. This bill modifies that Code
28 section by providing that application fees may be charged
29 solely to applicants who are approved or to all applicants, and
30 by removing duplicative language regarding application fees for
31 loans that are not approved.