

Senate File 106 - Introduced

SENATE FILE 106

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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:

1 Section 1. Section 533D.9, subsection 2, paragraph b, Code
2 2019, is amended to read as follows:

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

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

8 NEW PARAGRAPH. e. That a maker obtaining more than four
9 delayed deposit service loans from one licensee in a two-month
10 period shall have the option to enter into an extended
11 repayment plan agreement with the licensee pursuant to section
12 533D.9A upon the maker's request and prior to the date the last
13 check accepted by the licensee is to be negotiable.

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

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

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

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

34 4. a. The maker shall be allowed to pay the total unpaid
35 check obligations to be charged in at least four substantially

1 equal installments due on dates or soon after dates when the
2 maker will receive regular income, or on dates as mutually
3 agreed upon by the maker and the licensee. The extended
4 repayment plan agreement shall contain a schedule for the
5 payment of the total unpaid check obligations.

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

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

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

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

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

26 7. Upon the maker's failure to make a scheduled payment
27 pursuant to the extended repayment plan agreement, the licensee
28 may charge a penalty pursuant to section 533D.9, subsection
29 2, and may initiate debt collection as defined in section
30 537.7102, civil court proceedings, or arbitration to collect on
31 any unpaid checks.

32

EXPLANATION

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

35 This bill modifies provisions applicable to delayed deposit

1 services.

2 The bill limits the annual percentage rate applicable to a
3 delayed deposit services transaction to 36 percent, as computed
4 pursuant to the federal Truth in Lending Act.

5 The bill requires a licensee holding multiple checks from
6 one maker at any one time to enter into an extended repayment
7 plan agreement if the maker of the multiple checks requests
8 to enter into such agreement prior to the date upon which the
9 checks are to be negotiable. The licensee may not initiate
10 debt collection, civil court proceedings, or arbitration to
11 collect on the unpaid checks during the term of the extended
12 repayment plan agreement. A licensee need only enter into one
13 extended repayment plan agreement with a maker of multiple
14 checks in a 12-month period. A licensee cannot charge a fee,
15 interest charge, or other charge as a result of entering into
16 an extended repayment plan agreement. During the duration
17 of the agreement, the obligations that the maker owes on the
18 unpaid checks are not delinquent and the licensee cannot charge
19 penalties for a delinquent obligation.

20 The bill allows a maker obtaining more than four delayed
21 deposit service loans from one licensee in a two-month period
22 to enter into an extended repayment plan agreement with the
23 licensee if the maker requests to enter into such an agreement
24 prior to the date upon which the last check accepted by the
25 licensee is to be negotiable. The licensee may not initiate
26 debt collection, civil court proceedings, or arbitration to
27 collect on any unpaid checks during the term of the extended
28 repayment plan agreement. A licensee need only enter into one
29 extended repayment plan agreement with a maker in a 12-month
30 period. A licensee cannot charge a fee, interest charge, or
31 other charge as a result of entering into an extended repayment
32 plan agreement. During the duration of the agreement, the
33 obligations that the maker owes on any unpaid checks are not
34 delinquent and the licensee cannot charge penalties for a
35 delinquent obligation.

1 The bill requires the extended repayment plan agreement
2 to be in writing, signed by the maker and the licensee, and
3 contain the schedule for payment of the total unpaid check
4 obligations. The schedule must allow the maker to pay the
5 checks in at least four substantially equal installments.

6 The bill requires the licensee to return any postdated
7 checks that the maker has given to the licensee for the
8 original transactions. The licensee may then either require
9 the maker to provide a new check for the balance on the unpaid
10 checks or provide multiple checks for each scheduled payment
11 under the agreement.

12 The bill states that upon the maker's failure to make a
13 scheduled payment, the licensee may charge a penalty pursuant
14 to Code section 533D.9(2), and may initiate debt collection,
15 civil court proceedings, or arbitration to collect on the
16 unpaid checks.

17 A violation of the bill may result in an administrative fine
18 of not more than \$5,000 for each violation and the cost of
19 investigation.