

Senate Study Bill 1096 - Introduced

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

A BILL FOR

1 An Act relating to permissible interest rates and charges for
2 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 2019, 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 537.2501, subsection 1, Code 2019, is
13 amended by adding the following new paragraph:

14 NEW PARAGRAPH. 1. For an interest-bearing consumer credit
15 transaction, a service charge in an amount not to exceed the
16 lesser of ten percent of the amount financed or thirty dollars.

17 Sec. 3. Section 537.2510, subsection 3, paragraph a, Code
18 2019, is amended to read as follows:

19 a. If the prepayment is in full, the creditor may collect
20 or retain a minimum charge not exceeding five dollars in a
21 transaction which had an amount financed of seventy-five
22 dollars or less, or not exceeding seven dollars and fifty cents
23 in a transaction which had an amount financed of more than
24 seventy-five dollars, if the minimum charge was contracted
25 for, and the finance charge earned at the time of prepayment
26 is less than the minimum charge contracted for. If, however,
27 a creditor has collected a service charge in association with
28 an interest-bearing consumer credit transaction pursuant to
29 section 537.2501, subsection 1, paragraph "1", the creditor
30 shall not collect or retain a minimum charge upon prepayment
31 pursuant to this subsection.

32 Sec. 4. Section 537.2510, Code 2019, is amended by adding
33 the following new subsection:

34 NEW SUBSECTION. 9. This section does not apply to a service
35 charge collected pursuant to section 537.2501, subsection 1,

1 paragraph "1".

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EXPLANATION

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

4

5 This bill relates to permissible interest rates and charges
6 for certain loans.

7 Current law allows the superintendent of banking to
8 establish the maximum rate of interest or charges for regulated
9 loans subject to Code chapter 536 with unpaid principal
10 balances of \$10,000 or less. The bill increases this amount to
11 \$30,000. For loans with unpaid principal balances in excess
12 of \$30,000 (formerly \$10,000), the maximum interest rate or
13 charges a lender may charge remains the greater of the rate
14 permitted in Code chapter 535 or the rate authorized for
15 supervised financial organizations in Code chapter 537.

16 The bill authorizes a creditor to contract for and receive,
17 for an interest-bearing consumer credit transaction, a service
18 charge in an amount not to exceed the lesser of 10 percent
19 of the amount financed or \$30. The bill provides that if a
20 creditor has received such a service charge, the creditor
21 shall not collect or retain a minimum charge upon prepayment
22 as authorized under Code section 537.2510. The bill specifies
23 that Code section 537.2510, relating to rebate upon prepayment,
24 does not apply to service charges collected pursuant to the
25 bill.