

House Study Bill 523 - Introduced

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

A BILL FOR

1 An Act relating to certain sales of auto club memberships and
2 vehicle warranties.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. Section 536.13, Code 2026, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 5A. After a licensee has approved a loan to
4 a borrower, the licensee may offer the borrower the option to
5 purchase an auto club membership or vehicle warranty. If the
6 licensee offers a borrower the option to purchase an auto club
7 membership or vehicle warranty, all of the following shall apply:
8 a. The licensee shall inform the borrower, in a written
9 document initialed by the borrower, that the purchase of an auto
10 club membership or vehicle warranty is optional and failure to
11 purchase an auto club membership or vehicle warranty will not
12 affect the receipt of the loan by the borrower.

13 b. If the borrower chooses to purchase an auto club
14 membership or vehicle warranty the licensee shall permit the
15 borrower either to pay the cost of the auto club membership or
16 vehicle warranty with funds that are not the proceeds of the
17 loan, or to include the cost in the loan the borrower obtains
18 from the licensee. The auto club membership or vehicle warranty
19 shall not be included when calculating the maximum interest rate
20 of the loan.

21 c. A licensee shall permit a borrower to cancel an auto
22 club membership or vehicle warranty and to receive a full
23 refund of the purchase price at any time within thirty calendar
24 days following the date of purchase from the licensee if the
25 borrower has not used any service provided through the auto club
26 membership or vehicle warranty.

27 **EXPLANATION**

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

30 This bill relates to certain sales of auto club memberships
31 and vehicle warranties.

32 Under the bill, a licensed loan officer (licensee) may, after
33 approving a loan to a borrower, offer the borrower the option
34 to purchase an auto club membership (membership) or vehicle
35 warranty (warranty). If the licensee offers the option to

1 purchase a membership or warranty, the licensee shall: inform
2 the borrower, in a written document initialed by the borrower,
3 that the purchase of a membership or warranty is optional and
4 will not affect the receipt of the loan by the borrower; if the
5 borrower chooses to purchase a membership or warranty, permit the
6 borrower either to pay for the cost with funds that are not the
7 proceeds of the loan, or to include the cost in the total amount
8 financed by the loan the borrower obtains from the licensee; and
9 permit the borrower to cancel the membership or warranty and
10 receive a full refund of the purchase price at any time within
11 30 days following the date of purchase if the borrower has not
12 used the membership or warranty. Under the bill, a membership
13 or warranty shall not be included when calculating the maximum
14 interest rate of a loan.