

## CHAPTER 213

## INSTALLMENT LOANS BY BANKS

S. F. 122

AN ACT to authorize banks, operating under Title XXI of the 1939 code of Iowa, to make installment loans subject to certain definite limitations, and to make the provisions of this act, in so far as applicable, available to national banks operating in this state and prescribing certain requirements for advertising on the part of banks of loans to be made under this act.

*Be It Enacted by the General Assembly of the State of Iowa:*

Title XXI of the Code of Iowa (1939) is hereby amended by adding thereto the following:

1 SECTION 1. **Definition.** An installment loan shall be a loan made  
2 by a bank as provided in this act, upon a written instrument, the  
3 terms of which contain an agreement or a promise of repayment in  
4 installments at regular intervals, provided that, installments may  
5 be deferred or omitted on a seasonal basis.

1 SEC. 2. **Lending agency.** All banks operating under this Title are  
2 authorized to make installment loans as provided in this act. The  
3 provisions of this act, so far as they are applicable, shall also apply  
4 and extend to national banks operating in this state, if such banks  
5 avail themselves of the provisions of this act.

1 SEC. 3. **Limitation of amount.** No bank shall have outstanding  
2 under the provisions of this act any installment loan or loans to any  
3 one borrower in an amount in excess of the sum of twenty-five hun-  
4 dred dollars (\$2,500.00) exclusive of charges authorized herein, pro-  
5 vided no bank shall have outstanding in such installment loans an  
6 aggregate amount in excess of fifteen percent of its total resources.

1 SEC. 4. **Maturity.** Each such installment loan shall mature within  
2 a period of not to exceed twenty-four and one-half months.

1 SEC. 5. **Form of note.** Any such installment loan may be made  
2 upon a written promissory note of the borrower. The form of said  
3 note shall be approved by the superintendent of banking.

1 SEC. 6. **Maximum charge.** All banks operating under the provi-  
2 sions of this act may contract for and receive on any loan, excluding  
3 charges, which is repayable in installments, a maximum charge (which  
4 shall include interest) determined in accordance with either of the  
5 following options:

6 Option A. The total charge on any such installment loan shall be  
7 at a rate not to exceed six dollars per annum upon each one hundred  
8 dollars actually loaned to the borrower. Said charge may be included  
9 in the face amount of the note, in addition to the amount loaned or  
10 advanced. Said charge shall include and be in lieu of any interest,  
11 or charge for credit investigation, drawing papers, or any other  
12 service charge incidental to making, carrying or servicing said loan.

13 Option B. The total charge may be any amount not exceeding the  
14 equivalent of one percent per month computed on unpaid principal  
15 balances. The bank may receive such charge by crediting each pay-  
16 ment whenever received, first to the charge at the monthly rate con-

17 tracted for, and the remainder to principal until the loan is fully paid;  
18 or the bank may compute the total charge which would be earned at  
19 the monthly rate contracted for if the loan contract were repaid accord-  
20 ing to its terms and each payment were applied first to the charge  
21 and then to principal, and include such total charge in the face of  
22 the note.

23 If the total charge is included in the face of the note pursuant to  
24 either Option A or B of this section, and the period of the loan con-  
25 tract is divided into monthly intervals, a first interval of not less than  
26 fifteen nor more than forty-five days may be treated as a monthly  
27 interval.

28 In addition to the total charge permitted by this section, no further  
29 amount shall be directly or indirectly charged, contracted for, or  
30 received on or in connection with any loan made under this act, except;  
31 lawful fees paid to a public officer, adjudged and statutory taxable  
32 costs, and the cost of a reasonable amount and kind of insurance  
33 customarily required, but at not in excess of standard insurance rates.  
34 The borrower shall be free to obtain his insurance from any agent  
35 or broker of his own choosing.

1 **SEC. 7. Delinquency of installment payments.** When any install-  
2 ment is not paid when-due, the bank may collect, upon said delinquent  
3 installment, interest from date of delinquency at a rate not in excess  
4 of one percent per month.

1 **SEC. 8. Repayment of loan before maturity.** The borrower may  
2 prepay his or her installment loan in whole or in part at any time,  
3 and when full payment thereof is made before maturity, whether by  
4 payment in cash, renewal or otherwise, or whenever the maturity of  
5 the note is accelerated, the borrower shall receive from said bank  
6 at the time the loan is paid in full a refund of the unearned loan  
7 charge. The refund shall be so calculated that the borrower will not  
8 have paid a charge for the loan at a greater rate when computed on  
9 actual unpaid principal balances than he would have paid had the  
10 loan been permitted to run to its maturity, and in no event shall the  
11 borrower be required to pay in excess of one percent per month inter-  
12 est on the actual unpaid principal balances. All such refunds shall be  
13 made in accordance with a uniform refund schedule calculated, pre-  
14 scribed and approved by the superintendent of banking which shall  
15 be adhered to by the lender.

1 **SEC. 9. Not to restrict or prevent "G.I." loans.** Nothing in this  
2 act shall in any way restrict or prevent Iowa banking institutions,  
3 authorized to make loans under the provisions of this act, from making  
4 loans under or investing their funds in notes or bonds secured by  
5 mortgages issued under sections five hundred (500) to five hundred  
6 five (505), inclusive, of Title III of the "Servicemen's Readjustment  
7 Act of 1944" (Public Law 346, 78th Congress) approved June 22,  
8 1944, or acts amendatory or supplemental thereto, and more familiarly  
9 known as the "G.I. Bill of Rights" and as such act may be interpreted  
10 and operated under rules and regulations that may be promulgated  
11 by the Veteran's Administration.

1 **SEC. 10.** That notwithstanding any other provision of this act,  
2 no bank as defined herein shall charge a rate of interest of more than

3 seven (7) cents on the hundred by the year on a first mortgage on  
4 real estate.

1 SEC. 11. Nothing in this Act shall be construed as prohibiting  
2 any person, firm or corporation from making installment loans or  
3 from selling goods, merchandise or property on installment credit.

1 SEC. 12. Advertising. (a) No bank shall publish, disseminate, or  
2 distribute any advertising containing any false, misleading or decep-  
3 tive statements concerning rates, terms and conditions for loans  
4 made under this act. Violation of any of the provisions of this para-  
5 graph shall be punishable as provided in section thirteen thousand  
6 sixty-nine (13069) of the Code of 1939. (b) Any statement indi-  
7 cating the amount of the installment or the total charge in dollars  
8 required for any loan shall also state the percentage rate per year  
9 computed on declining balances of the original principal amount to  
10 which the total charge would be equivalent if the loan were repaid  
11 according to the contract. The percentage rate stated may be closely  
12 approximate rather than exact if the statement so indicates.

1 SEC. 13. Short title. This act may be known and referred to as  
2 the "Bank Installment Loan Law".

1 SEC. 14. Severability. If any clause, sentence, section, provision  
2 or part of this act shall be adjudged to be unconstitutional or invalid  
3 for any reason by any court of competent jurisdiction, such judg-  
4 ment shall not impair, affect or invalidate the remainder of this act,  
5 which shall remain in full force and effect thereafter.

1 SEC. 15. This act being deemed of immediate importance shall  
2 be in full force and effect from and after its passage and publication  
3 in the Ottumwa Daily Courier, a newspaper published at Ottumwa,  
4 Iowa, and the Iowa City Press Citizen, a newspaper published at  
5 Iowa City, Iowa.

Approved February 7, 1945.

I hereby certify that the foregoing act was published in the Ottumwa Daily Courier,  
Ottumwa, Iowa, February 10, 1945, and the Iowa City Press Citizen, Iowa City, Iowa,  
February 12, 1945.

WAYNE M. ROPES, *Secretary of State.*

## CHAPTER 214

### BUILDING AND LOAN ASSOCIATIONS

S. F. 57

AN ACT to amend section nine thousand three hundred forty and eight hundredths (9340.08), section nine thousand three hundred twenty-nine (9329), code, 1939, and chapter two hundred forty-five (245) Acts of the Fiftieth General Assembly, relating to loans, investments, and powers of building and loan and savings and loan associations.

*Be It Enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. Section nine thousand three hundred forty and eight  
2 hundredths (9340.08), Code, 1939, is hereby amended by striking the