



IOWA HOUSE DEMOCRATS

BILL & AMENDMENT SUMMARY

Finance Charges and Interest Rates

HF 260

Status of Bill: House Floor

Committee: Commerce Committee (13-10)

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Lead Democrat: Rep. Kressig

Floor Manager: Rep. Mohr

Background

Last session, the House Commerce Committee considered HF 2375, which would have allowed the Superintendent of Banking to review the market and change interest rates for loans between \$10,000 and \$30,000 by administrative rule. HF 2375 was voted out of committee 14-9, but was never brought forward for floor debate or vote.

Iowa law currently permits banking superintendents to establish a maximum charge or interest rate for regulated loans that have an unpaid principal balance of less than ten thousand dollars.

Bill Summary

HF 260 contains exact language as HF 2375 with H-8043 (Mohr) amendments. This bill would broaden Iowa's current provisions regarding banking superintendents' ability to set rates and charges by raising a loan's maximum unpaid balance amount from \$10,000 to \$30,000. Loans with an unpaid balance exceeding \$30,000 will continue to have a maximum interest or finance charge greater than an authorized rate for supervised financial organizations or a rate permitted under Iowa Code. This bill would also allow consumer finance lenders to assess a service fee or a loan origination fee of \$30 maximum.

Amendment Summary

H-1011 (Mohr) - This amendment would make the following changes to the bill:

- Allows a creditor to impose a finance charge for consumer loans that does not exceed the account's average daily balance, the median amount, or the first day of billing cycle.
- Allows a licensee under Ch. 536 (Regulated Loans) to charge, contract and receive interest for consumer loans pursuant to open-end that does not exceed the account's average daily balance, the median amount, or the first day of billing cycle.
- Loans regulated under the Iowa Consumer Code would be subject to limiting a finance charge that does not exceed the account's average daily balance, the median amount, or the first day of billing cycle.
- Defines 'Supervised Loan' within the Code as a consumer loan with finance charges calculated according to actuarial methods that exceed charges permitted under Ch. 535 (Money and Interest).
- Creates an exemption under industrial loan company authority for licensees who are authorized to issue supervised loans.

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