

January 22, 1951.

**House File 147**

Banks, Building and Loan.

By SLOANE, CROSIER, BROWN, NYSTROM, NELSON of Woodbury, McEENEY, RYAN, PEDRICK, DAVIS, McFARLANE.

Passed House, Date .....

Vote: Ayes..... Nays.....

Passed Senate, Date.....

Vote: Ayes..... Nays.....

Approved .....

**A BILL FOR**

An Act to amend sections five hundred thirty-six point one (536.1), five hundred thirty-six point twelve (536.12), five hundred thirty-six point thirteen (536.13), five hundred thirty-six point fifteen (536.15), five hundred thirty-six point sixteen (536.16), five hundred thirty-six point eighteen (536.18), Code 1950, relating to the regulation of the business of making loans of three hundred dollars (\$300) or less so as to provide for the regulation of the business of making loans of five hundred dollars (\$500) or less; to define the term "small loans" to be loans of five hundred dollars (\$500) or less; to provide that the maximum rate of interest or charges on any part of the unpaid principal balance of the loan in excess of three hundred dollars (\$300) shall be one per cent (1%) per month until such time as the state banking board shall fix a different rate; and for this purpose to amend section five hundred thirty-five point six (535.6), Code 1950, so as to make the provisions of section five hundred thirty-five point six (535.6), Code 1950, applicable to loans of more than five hundred dollars (\$500) rather than loans of more than three hundred dollars (\$300).

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

- 1 Section 1. Chapter five hundred thirty-six (536), Code
- 2 1950, is hereby amended by striking the word "three" where

3 it appears in line five (5) of section five hundred thirty-  
4 six point one (536.1), in line nine (9) of section five hundred  
5 thirty-six point twelve (536.12), in line two (2) of  
6 subsection five (5) of section five hundred thirty-six point  
7 thirteen (536.13), in line three (3) of subsection six (6)  
8 of section five hundred thirty-six point thirteen (536.13), in  
9 line eight (8) of section five hundred thirty-six point  
10 fifteen (536.15), in line fourteen (14) of section five hundred  
11 thirty-six point fifteen (536.15), in line two (2) of section  
12 five hundred thirty-six point sixteen (536.16), in line nine  
13 (9) of section five hundred thirty-six point eighteen (536.18),  
14 in line eighteen (18) of section five hundred thirty-six  
15 point eighteen (536.18), and by substituting in lieu thereof  
16 in each instance the word "five" (5).

1 Sec. 2. Section five hundred thirty-six point thirteen  
2 (536.13), Code 1950, is hereby amended by striking all of line  
3 one (1) of subsection four (4) thereof and by substituting in  
4 lieu thereof the following: "Beginning July 4, 1951 and  
5 until such" and by striking from line eight (8) of subsection  
6 four (4) thereof the words "and one-half" and by inserting  
7 before the period at the end of subsection four (4) thereof  
8 the following: "but not exceeding three hundred dollars  
9 (\$300) and one per cent (1%) per month on any part of the unpaid  
10 principal balance of the loan in excess of three hundred  
11 dollars (\$300)".

1 Sec. 3. Section five hundred thirty-five point six

2 (535.6), Code 1950, is hereby amended by striking from line  
3 eight (8) thereof the word “three” and by substituting in  
4 lieu thereof the word “five”.

1 Sec. 4. This Act shall not be construed so as to impair  
2 or affect the obligation of any contract of loan lawfully  
3 made prior to the effective date of this Act and shall not  
4 impair any power, jurisdiction and authority now vested in  
5 the state banking board under Chapter five hundred thirty-  
6 six (536), Code 1950.

#### EXPLANATION OF H. F. 147

The small loan law now in effect in 31 states including Iowa provides a regulated source of credit for necessitous borrowers.

Twenty-nine years ago the 39th General Assembly fixed a maximum loan limit of \$300 which is no longer adequate to satisfy the needs of the borrower due to inflation.

Under a \$300 loan limit many borrowers are required to borrow from more than one lender to obtain the amount of money needed. This results in economic loss and unnecessary cost and inconvenience to the borrower.

Many states have amended their original Acts by increasing the maximum loan limit.

This Act increases the maximum loan limit from \$300 to \$500, and provides for a rate of one per cent per month on the unpaid principal balance over \$300.

The state banking board would retain the power to adjust the rate as now provided in Chapter 536.