

Withdrawn 2/22

February 14, 1963.
Place on Calendar.

House File 256

By COMMITTEE ON PRIVATE CORPORATIONS.

Passed House, Date..... Passed Senate, Date.....
Vote: Ayes..... Nays..... Vote: Ayes..... Nays.....
Approved.....

A BILL FOR

*Senate File 195
substituted 2/22*

An Act to amend sections five hundred thirty-five point two (535.2) and five hundred thirty-five point three (535.3), Code 1962, relating to the rate of interest which domestic or foreign corporations may contract in writing to pay and interest on judgments and decrees.

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

1 Section 1. Section five hundred thirty-five point two
2 (535.2), Code 1962, is hereby amended by striking from line
3 one (1) thereof the word "the" and inserting in lieu thereof
4 the following: "a. Except as provided in subsection 'b'
5 hereof, the" and by inserting at the end of such section a
6 new subparagraph as follows:
7 "b. Any domestic or foreign corporation may agree in writing
8 to pay any rate of interest in excess of the rate prescribed
9 in subsection "a" hereof, and no such corporation so agreeing
10 in writing shall plead or interpose the claim or defense of
11 usury in any action or proceeding."

1 Sec. 2. Section five hundred thirty-five point three
2 (535.3), Code 1962, is hereby amended by striking from lines
3 eight (8) and nine (9) thereof the words "seven cents on the
4 hundred by the year" and inserting in lieu thereof the following:
5 "the maximum applicable rate permitted by the provisions of
6 section five hundred thirty-five point two (535.2) of the Code".

EXPLANATION OF HOUSE FILE 256

This bill will allow corporations to borrow money at a rate of interest above that allowed for individuals. This is in line with laws in 33 other states.

Lenders financing retail sales, machinery, machine tools and making working capital loans take higher risks and extend greater service than lenders usually do.

The maximum of seven percent interest in the present law is intended to protect small borrowers in dire circumstances not businessmen who are dealing at arms length in the free enterprise tradition.

This restriction tends to penalize small business by denying it credit it needs and hurts Iowa's industrial development.