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SENATE FILE 490
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SF 274)

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

A BILL FOR

1 An Act relating to delayed deposit service transaction fees and
2 notices.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 490

1 Section 1. Section 533D.9, subsections 2 and 3, Code 2001,
2 are amended by striking the subsections.

3 Sec. 2. NEW SECTION. 533D.9A REQUIRED DOCUMENTS AND
4 DISCLOSURES.

5 1. INFORMATION PAMPHLET PROVIDED TO ALL CONSUMERS. Before
6 entering into a delayed deposit service transaction, the
7 licensee shall deliver to the consumer a pamphlet which
8 explains all of the consumer's rights and responsibilities in
9 a delayed deposit service transaction, includes a telephone
10 number to the superintendent's office to handle concerns or
11 complaints by consumers, and informs consumers that the
12 superintendent's office can provide information about whether
13 a delayed deposit service business is licensed, whether
14 complaints have been filed with the superintendent, and the
15 resolution of such complaints.

16 2. LOAN DOCUMENTS. Licensees shall give the maker of the
17 check at the time any delayed deposit service transaction is
18 made, or if there are two or more makers, to at least one of
19 them, a written agreement in clear, understandable English, on
20 a form specified or approved by the superintendent, in a form
21 the consumer can keep, that includes all of the following
22 information:

23 a. The name, address, and telephone number of the licensee
24 making the delayed deposit loan, and the name and title of the
25 individual employee who signs the agreement on behalf of the
26 licensee.

27 b. An itemization of fees and charges to be paid by the
28 consumers, including the annual percentage rate on the first
29 hundred dollars on the face amount of the check that the fee
30 represents, and the annual percentage rate on subsequent one
31 hundred dollar increments that the fee represents, if
32 different.

33 c. The date on which the check will be deposited or
34 presented for negotiation.

35 d. A clear description of the consumer's payment

1 obligations under the transaction.

2 e. The penalty, not to exceed fifteen dollars, that the
3 licensee will charge if the check is not negotiable on the
4 date agreed upon; that it may be collected only once on a
5 check no matter how long the check remains unpaid; and that it
6 is the licensee's exclusive fee and remedy for late payment or
7 nonpayment.

8 f. Disclosures required by section 537.3201 and the Truth
9 in Lending Act as defined in section 537.1302, irrespective of
10 whether the Truth in Lending Act applies to the particular
11 delayed deposit service transaction.

12 g. Applicable notices pursuant to Iowa law, including, but
13 not limited to, that required by section 537.3203.

14 h. In a manner that is more conspicuous than the other
15 information provided in the loan document, and located
16 immediately preceding the signature of the consumer, the
17 following notice in at least fourteen point type: "You cannot
18 be prosecuted in criminal court to collect this loan."

19 3. POSTED NOTICE. Notices must be clearly and
20 conspicuously posted by all licensees in each location, which
21 informs consumers of the following information:

22 a. Informs consumers that the licensee cannot use the
23 criminal process against a consumer to collect any delayed
24 deposit service transaction check.

25 b. Informs the consumers of the schedule of all fees,
26 charges, interest, and penalties to be charged on delayed
27 deposit service transactions. The schedule shall include an
28 example of the amounts that would be charged on a one hundred
29 dollar loan payable in fourteen and thirty days, and shall
30 provide the corresponding annual percentage rate.

31 EXPLANATION

32 This bill amends Code chapter 533D, regarding delayed
33 deposit service transactions, more commonly known as "payday
34 loans".

35 The bill deletes disclosure provisions from current Code

1 section 533D.9, and creates new Code section 533D.9A
2 pertaining to disclosures.

3 New Code section 533D.9A sets forth the disclosure
4 requirements for delayed deposit service transactions,
5 including: (1) an information pamphlet to be furnished to all
6 consumers before entering into a loan, that conveys all of the
7 consumer's rights and responsibilities, including a telephone
8 number to the banking division for questions, concerns, or
9 complaints; (2) loan documents written in clear,
10 understandable English that include the licensee and
11 individual employee signing the agreement; an itemization of
12 fees and charges; the date the check will be deposited or
13 presented; a clear description of the payment obligations; the
14 penalty, and the limitations upon the licensee in charging it;
15 disclosures required under the Iowa consumer credit code and
16 the federal Truth in Lending Act; and a notice in at least 14
17 point type that states: "You cannot be prosecuted in criminal
18 court to collect this loan."; (3) posted notices that inform
19 consumers of the schedule of all fees, charges, interest, and
20 penalties, and that the criminal process cannot be used to
21 collect any deferred deposit transaction checks.

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