

FEB 18 2005

COMMERCE, REGULATION & LABOR

HOUSE FILE 346
BY BERRY

(COMPANION TO 2157SS BY BOLKCOM)

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

A BILL FOR

1 An Act relating to delayed deposit services including fees,
2 notices, transaction amounts, and reporting requirements.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22

HF 346

1 Section 1. Section 533D.9, Code 2005, is amended to read
2 as follows:

3 533D.9 FEE RESTRICTION -- REQUIRED DISCLOSURE.

4 1. a. A licensee shall not charge a transaction fee in
5 excess of fifteen five dollars ~~on-the-first~~ per one hundred
6 dollars ~~on-the-face-amount-of-a-check-or-more-than-ten-dollars~~
7 ~~on-subsequent-one-hundred-dollar-increments-on-the-face-amount~~
8 ~~of-the-check~~ of the amount financed for services provided by
9 the licensee, or pro rata for any portion of one hundred
10 dollars face value.

11 b. If the check is not negotiable on the date agreed upon,
12 a licensee may charge a default fee, not to exceed fifteen
13 dollars. Only one such fee may be collected with respect to a
14 check even if the check has been redeposited and returned more
15 than once, regardless of how long the check remains unpaid. A
16 fee charged pursuant to this subsection is a licensee's
17 exclusive remedy and charge for late payment or nonpayment.

18 2. A licensee shall give to the maker of the check, at the
19 time any delayed deposit service transaction is made, or if
20 there are two or more makers, to one of them, notice written
21 in clear, understandable language disclosing all of the
22 following:

23 a. The transaction fee to be charged ~~for-the-transaction.~~

24 b. The annual percentage rate on the ~~first-hundred-dollars~~
25 ~~on-the-face-amount-of-the-check-which-the-fee-represents,-and~~
26 ~~the-annual-percentage-rate-on-subsequent-one-hundred-dollar~~
27 ~~increments-which-the-fee-represents,-if-different~~ transaction.

28 c. The date on which the check will be deposited or
29 presented for negotiation.

30 d. ~~Any-penalty~~ The default fee, not to exceed fifteen
31 dollars, which that the licensee will charge if the check is
32 not negotiable on the date agreed upon. ~~A-penalty~~ The notice
33 shall state that the default fee to be charged pursuant to
34 this section shall only be collected by the licensee ~~once on a~~
35 check ~~no-matter~~ regardless of how long the check remains

1 unpaid--~~A-penalty~~; and that a default fee to be charged
2 pursuant to this section is a licensee's exclusive remedy and
3 if a licensee charges a ~~penalty~~ default fee pursuant to this
4 section no other penalties under this chapter or any other
5 provision apply.

6 3. In addition to the notice required by subsection 2,
7 every licensee shall conspicuously display a schedule of all
8 fees, charges, and penalties for all services provided by the
9 licensee authorized by this section. The notice shall be
10 posted at the office and every branch office of the licensee.
11 The licensee shall provide a written schedule of the fees,
12 charges, interest rates, and penalties upon request.

13 4. The licensee shall make all notices and disclosures
14 required under this section available in the languages spoken
15 by consumers who frequent that location.

16 Sec. 2. Section 533D.10, subsection 1, Code 2005, is
17 amended to read as follows:

18 1. A licensee shall not do any of the following:

19 a. Hold from any one maker more than ~~two-checks~~ one check
20 at any one time.

21 b. Hold from any one maker a check ~~or-checks~~ in an
22 ~~aggregate-face~~ amount of more than ~~five~~ three hundred dollars
23 at any one time.

24 c. Hold or agree to hold a check for more than thirty-one
25 days.

26 d. Require the maker to receive payment by a method ~~which~~
27 that causes the maker to pay additional or further fees and
28 charges to the licensee or another person, or otherwise charge
29 to cash a check representing the proceeds of the transaction.

30 e. Repay, refinance, or otherwise consolidate a postdated
31 check transaction with the proceeds of another postdated check
32 transaction made by the same licensee. Upon payment of the
33 maker's check by the drawee bank, the return of a check to a
34 maker who redeems it for consideration, or any other method of
35 termination of the delayed deposit transaction, the licensee

1 shall not enter into another delayed deposit transaction with
2 the same maker for at least two days thereafter provided,
3 however, that a licensee may extend the delay of the deposit
4 of the check without charge.

5 f. Receive any other charges or fees in addition to the
6 fees listed in section 533D.97--subsections-1-and-2.

7 Sec. 3. NEW SECTION. 533D.17 REPORTING.

8 1. The superintendent shall annually collect, and
9 licensees shall provide, information regarding at least all of
10 the following:

11 a. The total number of delayed deposit transactions made
12 at each location.

13 b. The total amount of money subject to delayed deposit
14 transactions at each location.

15 c. The total amount of bad debt incurred at each location.

16 d. Affiliate relationships, if any, of each licensee with
17 any financial institutions.

18 e. The age, ethnicity, and annual income of each consumer
19 of the licensee's delayed deposit services business.

20 2. The superintendent may adopt rules pursuant to chapter
21 17A related to these reporting requirements.

22 EXPLANATION

23 This bill makes amendments to Code chapter 533D, delayed
24 deposit services, more commonly known as payday loans.

25 The bill amends Code section 533.9 to provide that a
26 licensee may charge a transaction fee of \$5 per \$100 of the
27 amount financed, rather than the current fee maximum of \$15 on
28 the first \$100 financed, and \$10 for subsequent \$100
29 increments.

30 The bill also amends Code section 533.9 to require
31 licensees to make written information regarding charges, fees,
32 penalties, and interest rates available upon request, and to
33 provide that notices and disclosures be provided in languages
34 spoken by the consumers who frequent that location.

35 The bill amends Code section 533.10 to provide that the

1 licensee shall not enter into more than one transaction with a
2 maker at one time, and that the licensee must wait two days
3 after termination of a transaction through cashing the maker's
4 check before entering into another delayed deposit transaction
5 with the same maker. The bill also changes the maximum amount
6 of the transaction to \$300, rather than \$500.

7 The bill creates new Code section 533D.17, which requires
8 licensees to report, and the superintendent to collect,
9 information regarding delayed deposit transactions made,
10 affiliate relationships with other financial institutions, and
11 information regarding the age, ethnicity, and annual income of
12 each consumer of the licensee's delayed deposit services.

13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35