



April 19, 2017

Mr. Zachary Hingst
Legal Counsel
Iowa Division of Banking
200 East Grand Avenue, Suite 300
Des Moines, IA 50309

Re: Proposed rule to modify Chapters 15 and 16 of the Iowa Administrative Code

Dear Mr. Hingst:

On behalf of the American Financial Services Association (AFSA),¹ thank you for the opportunity to provide comments on the Division of Banking's proposed rule modifying Chapters 15 and 16, which would update the loan brackets in the Regulated Loan Act and Industrial Loan Act. We share the Division's goal of eliminating outdated requirements and modernizing the format and structure of the rules in Chapters 15 and 16, and AFSA supports the proposed rule, which would enact a much-needed update to the loan amount brackets for small loans in Iowa. The proposed rule's update to the loan amount brackets currently permitted for regulated and industrial loans would take a step in the right direction toward opening up the state to more responsible, affordable credit for Iowa consumers. Though we support the proposed updated brackets, we note that making truly small-dollar loans under the new structure would remain difficult, if not impossible. We urge you to revisit this issue in the future and welcome the chance to discuss it with you.

Under the current decades-old rate structure for regulated and industrial loans, borrowers in Iowa have limited options for well-structured, smaller loans compared to many other states, and those options have further decreased recently due to the rising cost of doing business in the state. Without the Division's proposed rule this trend may continue, and consumers may be left to turn to unlicensed online payday lenders, title lenders, or pawn shops to secure credit they need; by comparison, these loans are much less preferable and less safe forms of lending than the traditional installment loans offered by AFSA members. By updating the rate brackets for regulated and industrial loans, the Division will allow lenders who remain in the state to offer installment loans at amounts that more accurately reflect the cost of providing the loan and bring the state's rate structure closer to a level that would open Iowa's credit market to more responsible, affordable credit options for consumers.

The proposed rule would take Iowa one step closer to ensuring that responsible consumer credit remains both available and affordable. If you have any questions or would like to discuss this further, please do not hesitate to contact us at 202-469-3181 or mkownacki@afsamail.org.

Sincerely,

A handwritten signature in blue ink that reads "Matthew Kownacki".

Matthew Kownacki
Manager, State Research and Policy
American Financial Services Association

¹ Founded in 1916, the American Financial Services Association (AFSA) based in Washington, D.C. is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, and payment cards. AFSA members do not provide payday or vehicle title loans.