

Iowa Debt Collection Laws

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Founded in 1987, Abendroth and Russell, P.C. is an Iowa law firm based in the Des Moines metro area. As commercial and retail collection specialists, Abendroth and Russell, P.C. provides a full range of services for Iowa businesses and for national companies doing business in Iowa. We “Cover Iowa” and have over 100 years of combined legal experience with which to serve our clients. At Abendroth and Russell, it is our mission to provide our clients with the best legal services available, to excel in our practice areas, to “do what we do and do it well” for the mutual benefit of our clients and our employees.

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I. Iowa Debt Collection Laws

a. Statute of Limitations

[Iowa Code Chapter 614](#) governs Iowa’s statute of limitations for the collection of open accounts, written contracts, and judgments entered by the Court. In Iowa, the statute of limitations for *unwritten contracts* is five years, while the statute of limitations *for written contracts* is ten years. Iowa case law has specifically found that an action on a *delinquent credit card* account balance is an action to enforce an oral, rather than a written contract, and thus the action must be brought within five years of the action accruing. The cause of action for an open account accrues “on the last item therein,” which typically is the last payment made on the account. Once entered, a *judgment* is enforceable in Iowa for twenty years.

b. Bad Check Laws

Iowa law regarding the enforcement of dishonored or “bad” checks is found in the [Iowa Uniform Commercial Code Chapter 554](#), Article Three. Specifically, [Iowa Code section 554.3513](#) provides remedies available in an action against a defendant providing a dishonored check. The plaintiff may recover total damages equaling three times the face value of the dishonored check, which sum includes

the face value of the check. However, total recovery cannot exceed more than five hundred dollars plus the amount of the check.

As stated in [Iowa Code section 554.3513\(1\)\(a\)-\(d\)](#), in order to recover the damages described above, the following must all apply:

1. The plaintiff must make written demand on the defendant for payment of the check amount at least thirty days prior to commencing the action.
2. The written demand must notify the defendant that treble damages will be sought if the value of the dishonored check is not paid within thirty days of receipt. The written demand must be received by the defendant by personal service, restricted certified mail, or regular mail. If sent by regular mail, it must be sent to at least one of the following addresses:

- The address printed or written on the check
- The address given by the drawer at the time the check was issued
- The last known address of the drawer of the check

If sent by regular mail, there must also be an affidavit of service held by the payee or holder of the dishonored check stating the demand was sent to one of the addresses stated above.

3. The defendant has not paid the plaintiff, prior to commencement of the action, an amount equal to at least the face value of the dishonored check.
4. Plaintiff must clearly and conspicuously post notice at usual place of payment, or in billing statement of the plaintiff, stating civil damages would be sought upon dishonorment of the check.

c. General Garnishment Exemptions

Execution on judgments is governed by [Iowa Code Chapter 626](#). Garnishments, and Exemptions from Garnishments, are governed by [Iowa Code Chapter 642](#) and [Iowa Code Chapter 627](#).

When dealing with wage garnishments, Iowa follows the guidelines of the federal Consumer Credit Protection Act, which limits garnishments to 25% of the debtor's weekly disposable earnings or the amount which exceeds 30 times the Federal minimum hourly wage, whichever is less. Additionally, Iowa placed annual limits based on the level of expected earnings. These exemption levels are stated in [Iowa Code section 642.21](#).

- For employees with expected earning less than \$12,000, the maximum amount that may be garnished during any one calendar year is \$250.
- If the expected earnings are more than \$12,000 but less than \$16,000, the amount is \$400.
- If the expected earnings are more than \$16,000 but less than \$24,000, the amount is \$800.
- If the expected earnings are more than \$24,000 but less than \$35,000, the amount is \$1,500.
- If the expected earnings are more than \$35,000 but less than \$50,000, the amount is \$2,000.

- If the expected earnings are more than \$50,000, no more than ten percent of the employee's expected earnings may be garnished.

There are also other general exemptions from execution that are provided under [Iowa Code Chapter 627](#). The specific property that a debtor can hold exempt from execution is stated in [Iowa Code section 627.6](#). This exempt property includes, but is not limited to, any interest in social security benefits or unemployment compensation, any public assistance benefits, certain retirement plans, up to \$1,000.00 in cash or bank deposits, \$2,000.00 worth of jewelry, and one motor vehicle up to \$7,000.00. Iowa also allows certain agricultural property to be exempt from execution, including equipment and livestock related to farming operations, not exceeding \$10,000.00. The complete list of exempt property can be found in [Iowa Code section 627.6](#).

II. Debt Collection Licensing, Bonding, and Other Regulations

The requirements for creditor and collector licensing are governed by [Iowa Code Chapter 537](#), Article 6. Unless they meet one of the listed exceptions, creditors and debt collectors are required to file a notification with the Attorney General within thirty days after commencing business in the state of Iowa, and thereafter, on or before January 31 of each year. Under [Iowa Code section 537.6202](#), this notification must include the name of the person or entity, every name in which the business is transacted if different from the given name, the address of the principal office, the address of all offices or stores, if any, in Iowa where consumer credit transactions are entered into or other acts, practices or conduct involving transactions are engaged in. If transactions are made in any other locations, a brief description of the manner in which they are engaged, the address of the designated agent where service of process may be made in the state and whether or not supervised loans are made must be included. An annual fee of ten dollars is also required with the initial filing and on or before January 31 of each succeeding year.

a. Creditor/Lender

Under [Iowa Code section 537.6201\(1\)](#), creditors engaged in consumer credit transactions and acts which result in a transaction entered into in the state of Iowa must file a notification with the Attorney General. However, several classes of creditors are specifically exempted under [Iowa Code section 537.6201\(1\)](#). These exemptions include those licensed, certificated, or otherwise authorized to engage in business under Iowa Code Chapters [524](#) (Banks, including National Banks), [533](#) (Credit Unions), [534](#) (Savings and Loan Associations), [536](#) (Regulated Loans), or [536A](#) (Industrial Loans). As many creditors fall into one of these categories, the exemption carves out a large amount of creditors.

b. Collection Agency/Debt Buyers

Much like creditors, under [Iowa Code section 537.6201\(2\)](#), debt collectors must also file notification with the Attorney General. This section also limits the requirement to file notification only to those debt collectors in which total debt collected exceeded \$25,000.00 in the preceding or current calendar year.

Just as with creditors, this notification requirement does not apply to those licensed, certificated, or otherwise authorized to engage in business under Iowa Code Chapters [524](#) (Banks, including national banks), [533](#) (Credit Unions), [534](#) (Savings and Loan Associations), [536](#) (Regulated Loans), or [536A](#) (Industrial Loans).

Under [Iowa Code section 537.7102\(5\)](#), a debt collector is defined as “a person engaging, directly or indirectly, in debt collection, whether for the person, the person’s employer, or others, and includes a person who sells, or offers to sell, forms represented to be a collection system, device, or scheme, intended to be used to collect debts.”

c. Lawyer not licensed to Practice within Iowa

A lawyer not practicing or licensed in Iowa can appear as an attorney of record in particular proceeding only if the out-of-state lawyer appears with an in-state lawyer in the proceeding. Admission to the bar is governed under [Iowa Court Rules Chapter 31](#). Iowa Court Rule 31.14 states that an out-of-state lawyer can seek admission *pro hac vice* before the Court by filing a verified application with the court or agency where the litigation is filed, and serving the application on all parties who have appeared in the proceeding. The requirements of application are stated in Rule 31.14, and a form application is also provided in Rule 31.25. The courts and agencies of Iowa have discretion whether to grant the application for admission *pro hac vice*.

III. Debt Collection Practices

a. Commercial Collections

Iowa has adopted Article 2 of the Uniform Commercial Code. Article 2 governs businesses and merchants transacting in the sale of goods. The Iowa Uniform Commercial Code can be found in [Iowa Code Chapter 554](#). The key to collecting on commercial accounts is to confirm, prior to extending credit, the status and creditworthiness of the company in question. This ensures that in the event of a default, a potential judgment will not be against a defunct company with little hope of collection. To provide additional protection when extending credit, many creditors require a personal guaranty from individuals.

b. Consumer Collections

Collection of consumer accounts is governed under the Iowa Consumer Credit Code, [Iowa Code Chapter 537](#). More specifically, the Iowa Debt Collections Practices Act can be found in Article 7 of the Iowa Consumer Credit Code. A consumer under this chapter is defined as a “buyer, lessee, or debtor to whom credit is granted in a consumer credit transaction.” A consumer credit transaction is specifically defined in the Code under [Iowa Code section 537.1301](#) as “a consumer credit sale [537.1301(13)] or consumer loan [537.1301(15)], or a refinancing or consolidation thereof, or a consumer lease [537.1301(14)], or a consumer rental purchase agreement [537.3604].” These terms are all individually defined under [Iowa](#)

[Code Chapter 537](#), but all share the requirement that the goods, services, or property must be used or taken primarily for a personal, family, or household purpose.

Prior to commencing any legal action, the creditor must give the consumer a notice of right to cure default under [Iowa Code section 537.5111](#). The creditor cannot attempt to enforce the obligation until twenty days after the proper notice of right to cure has been given. However, the federal Fair Debt Collections Practices Act requires thirty days prior to enforcing the obligation, so thirty days is given on notices of right to cure, in order to comply with the Federal statute and prevent a claim of over-shadowing. This notice of right to cure must be in writing and must state the name, address, and telephone number of the creditor, a brief identification of the credit transaction and consumer's right to cure, statement of the nature of the right to cure the default, statement of the nature of the alleged default, statement of the total payment, including itemization of any delinquency or deferral charges, and the exact date by which the amount must be paid or performance tendered.

The requirements when communicating with a debtor regarding their obligations are governed by Article 7 of the [Iowa Consumer Credit Code](#). When initial written communication is made with the debtor, and additionally, if the initial communication is oral, in that initial oral communication, the collector must inform the debtor that the collector is attempting to collect a debt and information obtained will be used for that purpose. With all subsequent communications, the collector must inform the debtor that the communication is from a debt collector. [Iowa Code section 537.7103](#) also governs the timing and frequency of calls with the debtor, communications with third parties other than the debtor, and what practices can be considered harassing or abusive, and false or misleading representations to a debtor.

It is important that creditors have all the necessary documentation when trying to recover a claim in court. When dealing specifically with credit card debt, courts in Iowa require specific documentation as stated in the case of [Capital One Bank \(USA\), N.A. v. Denboer, 791 N.W.2d 264 \(Iowa App. 2010\)](#). This case requires that the lender or creditor provide a copy of the account agreement, a "charge-off" statement, and an affidavit signed by a representative of the lender. A "charge-off" statement is an account billing statement that shows the total amount owed on the statement and is representative of the sum total due on the account.

In general, it is important for creditors and debt purchasers to provide documentation that accurately reflects the amount owed, as well as to provide a paper trail showing the account has been assigned/sold to a third party. This documentation should include any billing or account statements, including the billing statement reflecting the total amount owed, any written agreement between the parties, and an affidavit from the creditor that confirms the amount that is due and owing from the consumer. Providing a written agreement can be especially important, due to Iowa's different statute of limitations concerning written

and oral contracts—ten years for written, and five for oral. See [Iowa Code Chapter 614](#). If the debt has been purchased or assigned, the purchaser will need documentation, such as an assignment or bill of sale, reflecting the transaction and their ability to now collect on the outstanding account obligation as holder of the account.

c. Secure versus Unsecure Matters

Iowa has adopted Article 9 of the Uniform Commercial Code. Article 9 governs transactions creating a security interest in personal property. The Iowa Uniform Commercial Code can be found in [Iowa Code Chapter 554](#).

When enforcing a security interest to repossess equipment or a vehicle, the secured party may, after default, take possession of the equipment or make the equipment unusable. A secured party can do this through the judicial process, or without the judicial process, so long as doing so does not breach the peace. See [Iowa Code section 554.9609](#). The secured party may dispose of the property after default as stated under [Iowa Code section 554.9610](#). Prior to disposing of the property, the secured party must provide notification of disposition under the requirements of [Iowa Code section 554.9611](#).

The Iowa Code provides specifically what must be included in the notification of disposition, depending on whether the equipment being sold or auctioned is a consumer or non-consumer good. A consumer good is one that is bought primarily for personal, family, or household purposes. Any notification of disposition must include the requirements as stated in [Iowa Code section 554.9613](#). If the disposition is for consumer goods, the notification as stated in [Iowa Code section 554.9614](#) must also include the following:

- A description of the liability for a deficiency
- Telephone number to contact the individual(s) or entity through whom the amount due can be paid and the collateral redeemed
- Telephone number or mailing address in which additional information regarding the disposition of the property is available

[Iowa Code section 554.9613](#) (non-consumer goods) and [Iowa Code section 554.9614](#) (consumer goods) also provide form notifications that, when completed, provide sufficient information as required by each section.

IV. Court Costs

- The filing fee in Iowa District Court for a civil action with the amount in controversy \$5,000.00 or over is \$185.00.
- The filing fee for entry of foreign judgment is also \$185.00.

- If the claim is under \$5,000.00, the petition may be filed in small claims court, and the filing fee for a small claims petition or original notice is \$85.00.
- To appeal a judgment of a small claims case, the filing fee is \$185.00.
- The filing fee for a confession of judgment is also determined based on the amount of the judgment. If the confession is for a judgment of \$5,000.00 or less, the fee is \$50.00.
- If the confession is for a judgment for a judgment in excess of \$5,000.00, the fee is \$100.00.

V. Process-Serving Options and Costs

a. Sheriff's Fees

Sheriff's fees for service of process vary depending on mileage, but typically fall between \$25 and \$100. This expense is included in the judgment.

b. Process Server Fees

Process Server fees vary depending on mileage, but typically fall between \$40 and \$100. This expense is included in the judgment.

c. Garnishment Fees

The court fee for filing a praecipe under Iowa's execution statute is \$25.00, and the garnishment papers must also be served on the Defendant by the sheriff, which requires the sheriff's service fee of \$25 to \$100. This expense is added to the judgment.

d. Debtor's Exams

Orders for judgment debtor exams must be served on the Defendant, with service fees ranging from \$25 to \$100, as described above. To conduct a judgment debtor exam, there is an additional charge by the attorney to attend the hearing, examine the judgment debtor under oath, and provide a report to the creditor.

e. Other Court related fees

Additional costs charged by the clerk of court for various filings can be found on the Iowa Judicial Branch website regarding [civil court fees](#).

VI. Cases brought by the State's Attorney General Related to Debt Collection

The Attorney General has not issued any substantial opinions dealing relating to debt collection.

VII. Significant Case Law Related to Debt Collection

[Gemini Capital Group v. New, 2011 WL 3925723 \(Iowa App. 2011\).](#)

This case holds that the statute of limitations to bring an action on a delinquent credit card account balance is five (5) years from the time the cause of action accrued under Iowa law.

Specifically, the Court ruled that Gemini's action should be construed as one to enforce an oral rather than a written contract, and thus under Iowa Code section 614.1(4), the action must be brought within the five (5) year statute of limitation period for unwritten contracts. Despite Gemini's introduction into evidence of a statement showing the remaining balance on New's account, the assignment of debt through several debt buyers, the terms and conditions of the account, and an interest calculation on the debt owed, the Court held this was action to construe an oral, rather than a written, contract.

[Gemini Capital Group v. Foley, 2011 WL 4579635 \(Iowa App. 2011\)](#)

This case holds that in order to further the purposes of the Iowa Consumer Credit Code, a notice of right to cure is required to include a statement of the total amount of payment due, which must include an itemization of delinquency or deferral charges. The Court holds that by providing consumers with an itemization of fees assessed, there will be a better understanding of how the total amount in the notice was calculated, protecting consumers from unfair collection practices.

[Capital One Bank \(USA\), N.A. v. Denboer, 791 N.W.2d 264 \(Iowa App. 2010\)](#)

This case holds that in order to obtain a default judgment in compliance with Iowa Code Section 537.5114, the creditor must either meet the requirements of an account stated or provide an itemization of the debt it is seeking to recover.

The Court laid out the elements necessary for each approach as follows:

"To be clear, a creditor seeking to recover a credit card debt from a consumer must either:

(1) *Meet the requirements of account stated*, by providing an account agreement with the consumer, a final or "charge-off" statement with the consumer's address, and a sworn statement from a person with knowledge that regular monthly account statements were sent to the consumer at the address provided by the consumer, the charge-off statement is the sum total of those statements, the consumer used the credit card, and the consumer never objected to the monthly statements. If the creditor cannot prove the consumer never objected to any item, as an alternative the creditor may provide a sworn statement detailing the objections and demonstrating they were resolved without further objection by the customer, or a statement establishing that during the last 90 days before the charge-off statement (or during any longer period of time leading up to the charge-off statement), the customer used the credit card and made no objections during that time.

(2) Provide an itemization of the debt it is seeking to recover, by filing an account agreement with the customer and a transaction history ending at a recent charge-off statement, together with a sworn statement from a person with knowledge authenticating these two items. In this event, the creditor is limited to recovering any increase in debt shown on the transaction history, plus ongoing interest.”

VIII. Ethics Opinions from Supreme Court Related to Debt Collection

There have not been any significant ethics opinions from the Supreme Court related to Debt Collection.

IX. Additional Laws or Cases Pertinent to Practice of Law in Iowa

[G.E. Money Bank v. Morales, 773 N.W.2d 533 \(Iowa 2009\)](#)

This case holds that when appearing by verified account in a small claims proceeding, credit card billing statements constitute hearsay and are not admissible under the business records exception. However, under the relaxed evidentiary and procedural rules of a small claims proceeding, the court can still rely and consider the statements so long as “the evidence is the kind of evidence that reasonably prudent persons are accustomed to rely on for the conduct of their serious affairs.” The Court admitted the statements upon review, finding them to be reliable, as they were addressed to Morales, contained the logo of the company, and included itemized charges for each month.

Please be advised that this is not intended as legal advice. Changes to laws, statutes, regulations and costs can and do occur. We recommend that you contact an attorney for advice specific to your legal matters and your state.

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