



THOMAS J. MILLER  
ATTORNEY GENERAL

## Department of Justice

CONSUMER PROTECTION DIVISION

ADDRESS REPLY TO:  
HOOVER BLDG., SECOND FLOOR  
1300 EAST WALNUT  
DES MOINES, IOWA 50319  
515/281-5926

May 11, 1987

RE: Iowa Consumer Credit Code Co-signer Provisions and Reg. AA,  
12 C.F.R. § 227.12(b)

Dear

You have requested an advisory letter from the Administrator of the Iowa Consumer Credit Code (ICCC) concerning whether creditors in Iowa may rely on the Federal Reserve Board Reg. AA, 12 C.F.R. § 227.12, definition of "co-signer" for purposes of complying with Iowa Code § 537.3208 (1987) of the ICCC and Iowa Admin. Code § 15.1(537). More particularly, you have stated that your client, a lender and card issuer who is subject to Reg. AA would like to know whether under the ICCC a person who receives the contractual right to obtain extensions of credit under an open-end account is not a co-signer.

As you note in your request for advice, the ICCC does not define the term co-signer. The administrator may not "adopt" the Reg. AA definition of co-signer since to adopt a new definition, of a term not otherwise defined in the ICCC would exceed the rulemaking and advisory authority of the administrator. However, we do find that upon a careful analysis of Iowa Code § 537.3208 (1987) of the ICCC and the Staff Guidelines to Reg. AA, that the Reg. AA interpretation and treatment of a co-signer is not inconsistent with pertinent provisions of the ICCC.

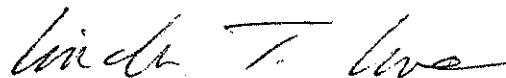
While the term co-signer is not separately defined in the ICCC, Iowa Code § 537.3208 (1987) which delineates co-signer requirements does distinguish between the person who acts as a co-signer and the "debtor." Furthermore, the official comment to U.C.C.C. § 3.208 (1974) states that the focus of the co-signer notice requirement is on "persons who assist consumers in obtaining credit" by lending their signatures. (Emphasis added.) (See: Consumer Cred. Guide, par. 6158 (CCH).) The "co'signer" is contrasted to the "consumer" who is defined in Iowa Code § 537.1301(10) (1987) of the ICCC as the "buyer, lessee, or debtor to whom credit is granted in a consumer credit transaction."

Nowhere does the ICCC refer to the co-signer as the "consumer," accordingly, the use of the term co-signer under the ICCC does not include a person "to whom credit is granted." If credit is actually granted to a person who is a "co-applicant," it could not be argued under the ICCC that this person was a co-signer. The credit application process must, of course, be handled such that co-applicants are clearly distinguished from persons who are true co-signers and are merely assisting the consumer-debtor in obtaining a loan or line of credit but are not being granted credit.

While the term "debtor" has been used herein to analyze the issue of who is a "co-signer," this advisory letter does not address whether a "debtor" as defined for purposes of debt collection in Iowa Code § 537.7102(5) (1987) includes a person who is obligated as a "cosigner."

I hope this letter adequately addresses the question of your client. Please advise your client that this letter is merely advisory and is neither a rule or ruling of the administrator nor an opinion of the Attorney General.

Sincerely,



LINDA THOMAS LOWE  
Assistant Attorney General

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