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CONSUMER PROTECTION DIVISION



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Department of Justice

[name and address redacted]

RE: [text redacted] Starter Interrupt Device

Dear [name redacted]:

I am writing in response to your correspondence of [date redacted], regarding the [text redacted] starter interrupt device. In your letter you inquired as to the position of our office concerning whether the [text redacted] device may be installed in a financed vehicle on or before the date of a retail installment sales transaction, if it is programmed to interrupt the vehicle's starter after the obligor's first default only after the expiration of the combined total of (i) the 10-day period necessary for the declaration of a default; (ii) the 20-day right to cure period; and (iii) an additional period of five or ten days to assure that the notice of default and right to cure is received by the obligor. [Sentence redacted]

In our view, it does not violate Iowa law to install the [text redacted] device pursuant to the terms stated in your correspondence providing that it does not interrupt the vehicle's starter under any circumstance prior to expiration of the 10-day period necessary for the consumer to be in default, plus the actual 20-day period during which the consumer has a right to cure the default. While your client proposes to grant an additional five to ten days to ensure the right to cure period has run prior to activation of the starter interrupt device, actually activating the device prior to the expiration of a 20-day right to cure period would violate Iowa law in that it would constitute a violation of section 537.5110(4)(a) as it would be "an attempt to enforce the obligation" prior to expiration of the twenty days after proper notice of right to cure is given. Dealers and finance companies should be aware that the 20-day cure period begins when a proper notice of right to cure is given. Iowa Code section 537.5110(4)(a). It does not begin automatically at the end of the 10 day default period. Consequently, the time period may differ from secured party to secured party, depending upon how promptly they send the cure notices. Indeed, even from the same secured party, the timing may differ from consumer to consumer, if the lender does not have a consistent practice about the timing of cure notices.

As you know, our office has in the past indicated that we believed that installation itself prior to default and the expiration of the cure period could constitute an attempt to enforce a debt. It is our understanding that a number of these devices require consumers to physically go to the premises of the dealer or lender to obtain passcodes, even as they are paying promptly. In effect, these systems create an extra burden of time and expense on consumers just to make the regular payments, before there has been any default on their part. According to the information given about your product, this extra cost is

not a feature of your product. We have taken that difference into account in providing you with this response

[Remainder of the letter has been redacted.]

Sincerely,

William L. Brauch

Special Assistant Attorney General

Director-Consumer Protection Division