

Small Business & Economic Development
Mann. Chair
Rodgers
Hulse

FILED FEB 14 1983

No Pass 2/23 (p. 531)
See Small Business 3/4/83

SENATE FILE 223

BY TAYLOR

Senate File 223 (Reassigned)

Small Business and Commerce: Chiodo. Chair; Gronstal, McIntee, Parker and Schroeder.

Proposed Small Business 4/6

Passed Senate, Date 3-1-83 (p. 565) Passed House, Date 4-13-83 (p. 1285)

Vote: Ayes 49 Nays 0 Vote: Ayes 97 Nays 2

Approved May 13, 1983 (p. 1755)

Proposed Senate per House amendment
4-28-83 (p. 1437)
40-5

Motion to reconsider (p. 1287)
Reconsidered & repassed 4-18-83 (p. 1550)
97-2

A BILL FOR

1 An Act increasing the principal amount of the bonds and notes
2 which may be issued by the Iowa housing finance authority
3 under the Iowa small business loan program.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

S.F. 223

1 Section 1. Section 220.26, subsection 1, Code 1983, is
2 amended to read as follows:

3 1. The authority may issue its negotiable bonds and notes
4 in principal amounts as, in the opinion of the authority,
5 are necessary to provide sufficient funds for achievement
6 of its corporate purposes, the payment of interest on its
7 bonds and notes, the establishment of reserves to secure its
8 bonds and notes, and all other expenditures of the authority
9 incident to and necessary or convenient to carry out its
10 purposes and powers. However, the authority may not have
11 a total principal amount of bonds and notes outstanding at
12 any time in excess of five hundred million dollars plus a
13 total of fifty million dollars for property improvement loans
14 to finance solar and other renewable energy systems in housing
15 as authorized by section 220.37 and to finance loans to provide
16 solar and other renewable energy systems for and to increase
17 the energy efficiency of small businesses under the Iowa small
18 business loan program. ~~Fifty~~ One hundred million dollars
19 of the total principal amount of bonds and notes may be issued
20 pursuant to the small business loan program ~~established under~~
21 ~~sections 220-61 to 220-65.~~ The bonds and notes shall be
22 deemed to be investment securities and negotiable instruments
23 within the meaning of and for all purposes of the uniform
24 commercial code.

25 Sec. 2. Section 220.62, subsection 1, Code 1983, is amended
26 to read as follows:

27 1. The authority shall initiate a program to assist the
28 development and expansion of small business in Iowa. The
29 authority may issue bonds and notes the proceeds of which
30 shall be used to make program loans. The principal amount
31 of bonds and notes are that may be issued pursuant to the
32 loan program and the principal amount of the bonds and notes
33 issued which shall be counted as a portion of the total
34 principal amount of bonds and notes of the authority which
35 may be outstanding at any time pursuant to are as provided

1 ~~in~~ section 220.26, subsection 1. ~~The principal amount of~~
2 ~~bonds and notes issued pursuant to the loan program shall~~
3 ~~not exceed fifty million dollars.~~ Bonds and notes issued
4 under this section are subject to all provisions of this
5 chapter relating to the issuance of bonds.

6 EXPLANATION

7 The bill increases from \$50,000,000 to \$100,000,000 the
8 principal amount of bonds and notes that can be issued by
9 the Iowa housing finance authority under the Iowa small
10 business loan program. The amount of bonds or notes issued
11 is counted against the \$500,000,000 bonding limit of the
12 authority. In addition the bill allows the authority to use
13 part of the \$50,000,000 authorized for loans to finance solar
14 and renewable energy systems in housing to finance loans for
15 the same purpose for small businesses under the loan program.
16 This amount of bonds or notes is not counted against the
17 authority's bonding limit. Thus the total principal amount
18 of bonds and notes that could be issued and used under the
19 small business loan program could total \$150,000,000.

20 The bill takes effect July 1 following enactment.

21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

APRIL 11, 1983

PAGE TWO

SENATE FILE 223

H-3578

1 Amend Senate File 223 as passed by the Senate,
2 as follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. Section 220.1, Code 1983, is amended
6 by adding the following new subsections:

7 NEW SUBSECTION. 29. "Mortgage-backed security"
8 means a security issued by the authority which is
9 secured by residential mortgage loans owned by the
10 authority.

11 NEW SUBSECTION. 30. "Residential mortgage interest
12 reduction program" means the program for buying-down
13 interest rates on residential mortgage loans pursuant
14 to sections 220.81 through 220.84.

15 NEW SUBSECTION. 31. "Residential mortgage loan"
16 means a financial obligation secured by a mortgage
17 on a single-family or two-family home.

18 NEW SUBSECTION. 32. "Residential mortgage
19 marketing program" means the program for buying and
20 selling residential mortgage loans and the selling
21 of mortgage-backed securities pursuant to sections
22 220.71 through 220.73.

23 Sec. 2. Section 220.10, subsection 1, Code 1983,
24 is amended to read as follows:

25 1. All moneys declared by the authority to be
26 surplus moneys which are not required to service bonds
27 and notes issued by the authority, to pay
28 administrative expenses of the authority, or to
29 accumulate necessary operating or loss reserves, shall
30 be used by the authority to pay administrative expenses
31 of or provide loans to the Iowa family farm development
32 authority in connection with the programs authorized
33 in the Iowa family farm development Act, ~~or~~ to provide
34 grants, subsidies, and services to lower income
35 families and very low income families through any
36 of the programs authorized in this chapter, or to
37 provide funds for the residential mortgage interest
38 reduction program established pursuant to section
39 220.81."

40 2. Page 2, by inserting after line 5 the following:

41 "Sec. 220.71. NEW SECTION. 220.71 RESIDENTIAL
42 MORTGAGE MARKETING PROGRAM. The authority shall
43 establish a program to assist lenders to sell
44 residential mortgage loans in the organized and
45 unorganized secondary mortgage market. The authority
46 may issue taxable and tax-exempt bonds and notes.
47 The proceeds of the bonds shall be used to purchase
48 residential mortgage loans from lenders. The bonds
49 and notes are a portion of the total principal amount
50 of bonds and notes of the authority which may be

H-3578

Page two

1 outstanding at any time pursuant to section 220.26,
2 subsection 1. Bonds and notes issued under this
3 section are subject to all provisions of this chapter
4 relating to the issuance of bonds.

5 Sec. ____ . NEW SECTION. 220.72 POWERS.

6 1. The authority may purchase, and make advance
7 commitments to purchase, residential mortgage loans
8 from mortgage lenders at prices and upon terms and
9 conditions it determines subject to this section.
10 However, the total purchase price for all residential
11 mortgage loans which the authority commits to purchase
12 from a mortgage lender at any one time shall not
13 exceed the total of the unpaid principal balances
14 of the residential mortgage loans purchased. Mortgage
15 lenders are authorized to sell residential mortgage
16 loans to the authority in accordance with this section
17 and the rules of the authority. The authority may
18 charge a mortgage lender a commitment fee or other
19 fees as set by rule as a condition for the authority
20 purchasing residential mortgage loans.

21 2. The authority may sell or make advanced
22 commitments to sell residential mortgage loans in
23 the organized or unorganized secondary mortgage market.
24 The authority may issue and sell securities that are
25 secured by residential mortgage loans held by the
26 authority. The authority may aggregate the residential
27 mortgage loans sold in the secondary market or used
28 as security on the mortgage-backed securities. The
29 amount of mortgage-backed securities sold shall not
30 exceed principal of the mortgages retained by the
31 authority as security.

32 3. The authority may require as a condition of
33 purchase of a residential mortgage loan from a mortgage
34 lender that the mortgage lender represent and warrant
35 to the authority that:

36 a. The unpaid principal balance of the residential
37 mortgage loan and the interest rate on it have been
38 accurately stated to the authority.

39 b. The amount of the unpaid principal balance
40 is justly due and owing.

41 c. The mortgage lender has no notice of the
42 existence of a counterclaim, offset, or defense
43 asserted by the mortgagor or the mortgagor's successor
44 in interest.

45 d. The residential mortgage loan is evidenced
46 by a bond or promissory note and a mortgage which
47 has been properly recorded with the appropriate public
48 official.

49 e. The mortgage constitutes a valid first lien
50 on the real property described in the mortgage to

H-3578
Page Three

1 the authority subject only to real property taxes
2 not yet due, installments of assessments not yet due,
3 and easements and restrictions of record which do
4 not adversely affect, to a material degree, the use
5 or value of the real property or improvements on it.
6 f. The mortgagor is not now in default in the
7 payment of an installment of principal or interest,
8 escrow funds, real property taxes, or otherwise in
9 the performance of obligations under the mortgage
10 documents and has not to the knowledge of the mortgage
11 lender been in default in the performance of an
12 obligation under the mortgage for a period of longer
13 than sixty days during the life of the mortgage.
14 g. The improvements to the mortgaged real property
15 are covered by a valid and subsisting policy of
16 insurance issued by a company authorized to issue
17 policies in this state and providing fire and extended
18 coverage in amounts as the authority prescribes by
19 rule.
20 h. The residential mortgage loan meets the
21 prevailing investment quality standards for residential
22 mortgage loans in this state.

23 Sec. ____ . NEW SECTION. 220.73 RULES. The
24 authority shall adopt rules pursuant to chapter 17A
25 relating to the purchase and sale of residential
26 mortgage loans and the sale of mortgage-backed
27 securities. The rules shall provide at least for
28 the following:

29 1. Procedures for the submission by mortgage
30 lenders to the authority of offers to sell mortgage
31 loans.

32 2. Standards for allocating bond proceeds among
33 mortgage lenders offering to sell mortgage loans to
34 the authority.

35 3. Standards for determining the aggregate
36 principal amount of mortgage loans to be purchased
37 from each mortgage lender and the purchase price.

38 4. Schedules of fees and charges to be imposed
39 by the authority.

40 5. Procedures for issuing mortgage-backed
41 securities.

42 Sec. ____ . NEW SECTION. 220.81 RESIDENTIAL
43 MORTGAGE INTEREST REDUCTION PROGRAM.

44 a. The authority shall initiate a residential
45 mortgage interest reduction program to reduce interest
46 costs on a residential mortgage loan for the
47 acquisition of a residential single-family dwelling
48 to be occupied by the owner of that dwelling, or a
49 two-family dwelling where the owner will occupy one
50 of the units. The authority shall adopt rules

H-3578
Page Four

1 establishing the maximum purchase price limitation
2 for participation in the residential mortgage interest
3 reduction program. These rules shall not establish
4 a maximum purchase price exceeding those established
5 by chapter 103A, Internal Revenue Code of 1954, as
6 amended, and the rules adopted under that chapter.
7 The authority may provide for the reduction in interest
8 costs by making an interest reduction payment to a
9 mortgage lender by combining loans financed through
10 appropriations, moneys declared to be surplus as
11 provided in section 220.10, subsection 1, from proceeds
12 from taxable and tax-exempt bonds and notes, or moneys
13 obtained from grants, gifts, bequests, contributions,
14 and other uncommitted funds, or by the application
15 of these funds to other loans. In reducing the
16 interest costs, the authority may use the specified
17 funds to buy down the principal amount of the loan
18 by any means not prohibited by the constitution or
19 laws of this state. The bonds and notes are a portion
20 of the total principal amount of bonds and notes of
21 the authority which may be outstanding at any time
22 pursuant to section 220.26, subsection 1. Bonds and
23 notes issued under this section are subject to all
24 provisions of this chapter relating to the issuance
25 of bonds.

26 b. The amount of the interest reduction payment
27 over the term of the reduction period shall be not
28 less than three percent of the amount of the loan
29 nor more than five percent of the amount of the loan.

30 c. The period of interest reduction on a
31 residential dwelling shall not exceed five years for
32 the same borrower. The interest reduction shall be
33 graduated. The amount of the reduction shall be
34 decreased annually in five equal increments so that
35 at the end of the five-year period of interest
36 reduction the interest rate on the loan will be equal
37 to the interest rate that would have been on the loan
38 if no interest reduction had been made.

39 Sec. ____ NEW SECTION. 220.82 LIEN. The
40 authority shall file a lien on the property for which
41 an interest reduction payment is made in the amount
42 of the payment. The lien shall be filed in the
43 recorder's office of the county in which the property
44 is located.

45 Sec. ____ NEW SECTION. 220.83 RECAPTURE OF
46 INTEREST REDUCTION PAYMENT.

47 1. A mortgagor shall repay the authority the
48 lesser of the amount of interest reduction payment
49 actually paid by the authority on behalf of the
50 mortgagor or fifty percent of the net appreciation

H-3578

Page Five

1 of the property. The term "net appreciation of the
2 property" as used in this section means an increase
3 in the value of the property over the purchase price
4 less the reasonable costs of sale and the reasonable
5 costs of improvements made to the property.

6 2. Repayment shall be made when any of the
7 following occur:

8 a. The mortgagor sells or otherwise transfers
9 the property. However, repayment is not required
10 if the transfer is to the surviving spouse of the
11 mortgagor upon the mortgagor's death.

12 b. The mortgagor rents the property for more than
13 twelve months.

14 c. The mortgagor requests the authority to release
15 the lien on the property.

16 d. The mortgage lender files a court action to
17 foreclose on the mortgage. However, the authority
18 may abate payment pending the outcome of the
19 foreclosure action.

20 Sec. ____ NEW SECTION. 220.84 RULES. The
21 authority shall adopt rules pursuant to chapter 17A
22 for the administration of the residential mortgage
23 interest reduction program. The rules shall include,
24 but are not limited to, the following:

25 1. Standards for eligibility of a mortgagor
26 including a minimum down payment or interest in the
27 property.

28 2. Standards for the eligibility of the property.

29 3. Procedures for application to participate in
30 the program.

31 4. Procedures for payment of the interest reduction
32 payment to the mortgage lender or mortgage investor.

33 5. Standards for determining the amount of interest
34 reduction that will be approved.

35 6. Schedules of fees and charges to be imposed
36 by the authority.

37 Sec. ____ Section 515.48, Code 1983, is amended
38 by adding the following new subsection following
39 subsection 9 and renumbering the remaining subsection:

40 NEW SUBSECTION. Insure against loss or damage
41 by reason of defects in or liens or encumbrances on
42 the title of real property, or the unmarketability
43 of the title to real property, or the invalidity or
44 unenforceability of liens or encumbrances upon real
45 property, to the extent permitted by, and subject
46 to, rules adopted by the commissioner. However, the
47 insurance shall not be issued on real estate of ten
48 acres or more which will be primarily used for
49 agricultural production purposes by the owner of the
50 property if the owner would be protected by the policy.

H-3578
Page Six

1 The commissioner shall adopt rules regulating title
2 insurance in this state. The rules shall include
3 but need not be limited to the following provisions:
4 a. Minimum capital requirements for title insurers.
5 b. Annual report requirements.
6 c. Regulation of premium charges pursuant to
7 section 515.150.
8 d. Minimum requirements for the establishment
9 and maintenance of reserves, including unearned premium
10 reserves.
11 e. Maximum limitations on retained liability.
12 f. Conditions of licensing of agents.
13 g. Investment of capital and other funds of the
14 insurer.
15 h. Approval of policy forms.
16 i. A requirement that the title insurer have the
17 abstract of title for the insured property brought
18 up to the date of the insurance policy and certified
19 up to that date and that the abstract be delivered
20 to the owner or the party designated by the owner.
21 Sec. _____. Section 515.48, subsection 10, Code
22 1983, is amended to read as follows:
23 10. Insure any additional risk not specifically
24 included within any of the foregoing classes, which
25 is a proper subject for insurance, is not prohibited
26 by law or contrary to sound public policy, and which,
27 after public notice and hearing, is specifically
28 approved by the commissioner of insurance, ~~except~~
29 ~~title-insurance-or-insurance-against-loss-or-damage~~
30 ~~by-reason-of-defective-title,-encumbrances-or~~
31 ~~otherwise.~~ When such the additional kind of insurance
32 is approved by the commissioner, ~~he~~ the commissioner
33 shall designate within which classification of risks
34 provided for in section 515.49 it shall fall.
35 Sec. _____. NEW SECTION. 515.150 TITLE INSURANCE
36 RATES.
37 1. Title insurance rates shall be set so that:
38 a. Rates are not excessive, inadequate, or unfairly
39 discriminatory.
40 b. Due consideration is given to past and
41 prospective loss experience within and outside Iowa;
42 to a reasonable margin for underwriting profit and
43 contingencies; to dividends, savings, or unabsorbed
44 premium deposits allowed or returned by insurers to
45 their policyholders, members, or subscribers; to past
46 and prospective expenses both within and outside Iowa;
47 and to other relevant factors.
48 c. The systems of expense provisions included
49 in the rates for use by an insurer or group of insurers
50 may differ from those of other insurers or groups

H-3578
Page Seven

1 of insurers to reflect the requirements of the
2 operating methods of the insurer or group of insurers
3 with respect to any kind of insurance, or with respect
4 to a subdivision or a combination of insurers for
5 which separate expense provisions are applicable.

6 2. Except to the extent necessary to comply with
7 subsection 1, paragraph a, uniformity among insurers
8 in a matter within the scope of this section is neither
9 required nor prohibited.

10 3. An insurer shall file with the commissioner
11 all manuals, minimum or class rates, rating schedules,
12 or rating plans, and every other rating rule, and
13 every modification of a rate, schedule, plan, or rule
14 which it proposes to use. A filing shall state the
15 proposed effective date of the filing and indicate
16 the character and extent of the coverage contemplated.

17 4. The commissioner shall review filings as soon
18 as reasonably possible after the filings are made
19 to determine whether they meet the requirements of
20 this section.

21 5. A filing shall be on file for a waiting period
22 of fifteen days before it becomes effective. The
23 waiting period may be extended by the commissioner
24 for an additional period, not to exceed fifteen days,
25 if the commissioner gives written notice to the insurer
26 which made the filing within the waiting period that
27 the commissioner needs the additional time for the
28 consideration of the filing. Upon written application
29 by the insurer, the commissioner may authorize a
30 filing which the commissioner has reviewed to become
31 effective before the expiration of the waiting period
32 or an extension of the waiting period. A filing shall
33 be deemed to meet the requirements of this section
34 unless disapproved by the commissioner within thirty
35 days of receipt of the filing by the commissioner.

36 6. Upon the written application of the insured,
37 stating reasons, filed with and approved by the com-
38 missioner, a rate in excess of that provided by a
39 filing otherwise applicable may be used on any specific
40 risk.

41 7. An insurer shall not make or issue a contract
42 or policy except in accordance with the filings which
43 are in effect for the insurer as provided in this
44 section.

45 8. If within the waiting period or any extension
46 of the waiting period the commissioner finds that
47 a filing does not meet the requirements of this
48 section, then the commissioner shall send to the
49 insurer which made the filing a written notice of
50 disapproval of the filing. The notice shall specify

H-3578

Page Eight

1 the reasons the filing fails to meet the requirements
2 of this section and state that the filing shall not
3 become effective. In addition, the notice shall
4 comply with section 17A.12.

5 When a filing is not accompanied by the informa-
6 tion with which the insurer supports the filing, and
7 the commissioner is unable to determine whether the
8 filing meets the requirements of this chapter, the
9 commissioner shall require the insurer to furnish
10 the supporting information and in that event the
11 waiting period shall commence as of the date the
12 information is furnished. The information furnished
13 in support of a filing may include:

14 a. The experience or judgment of the insurer
15 making the filing.

16 b. The interpretation of the insurer making the
17 filing of any statistical data upon which the insurer
18 relies.

19 c. The experience of other insurers.

20 d. Other relevant information.

21 A filing and the supporting information is open to
22 public inspection after the filing becomes effective.

23 9. If at any time subsequent to the waiting period
24 the commissioner determines that there are questions
25 as to whether a filing meets the requirements of this
26 section, the commissioner shall send a written notice
27 to the insurer which made the filing that a hearing
28 will be held to review the filing. The hearing shall
29 be held not less than ten days after the date of
30 mailing the notice. The notice and hearing shall
31 comply with sections 17A.12 and 17A.13. If after
32 the hearing the commissioner finds that the filing
33 does not meet the requirements of this section, then
34 the decision issued pursuant to sections 17A.15 and
35 17A.16 shall state when the filing shall be deemed
36 to be no longer effective. The decision shall not
37 affect a contract or policy made or issued prior to
38 the date when the filing is deemed to be no longer
39 effective.

40 10. A person alleging to be aggrieved with respect
41 to a filing which is in effect may make written
42 application to the commissioner for a hearing on the
43 filing. The application shall specify the grounds
44 to be relied upon by the applicant. The application
45 must show that the person making the application has
46 a specific economic interest affected by the filing.
47 The commissioner shall hold a hearing upon finding
48 that the application is made in good faith, that the
49 applicant has a specific economic interest, that the
50 applicant would be so aggrieved if the applicant's

H-3578

Page Nine

1 grounds are established, and that the grounds otherwise
2 justify holding a hearing. The commissioner shall
3 send the applicant and the insurer a notice of the
4 hearing, which shall be held not less than ten days
5 from the date of mailing the notice and not more than
6 thirty days from the date the commissioner receives
7 the application.

8 If after the hearing the commissioner finds that
9 the filing does not meet the requirements of this
10 section, then the decision issued pursuant to section
11 17A.15 shall specify in what respects the commissioner
12 finds that the filing fails to meet the requirements
13 of this section, and shall state when the filing shall
14 be deemed to be no longer effective. The decision
15 shall not affect a contract or policy made or issued
16 prior to the date when the filing is deemed to be
17 no longer effective.

18 11. A filing shall not be disapproved if the rates
19 contained in the filing meet the requirements of this
20 section.

21 Sec. ____ . Section 535.8, subsection 2, paragraph
22 a, Code 1983, is amended by striking the paragraph
23 and inserting in lieu thereof the following:

24 a. A lender may collect, in connection with a
25 loan made pursuant to a written agreement executed
26 by the borrower on or after the effective date of
27 this Act, or in connection with a loan made pursuant
28 to a written commitment by the lender mailed or
29 delivered to the borrower on or after that date, a
30 loan processing fee which does not exceed two percent
31 of an amount which is equal to the loan principal;
32 except that to the extent of an assumption by a new
33 borrower of the obligation to make payments under
34 a prior loan, or to the extent that the loan principal
35 is used to refinance a prior loan between the same
36 borrower and the same lender, the lender may collect
37 a loan processing fee which does not exceed an amount
38 which is a reasonable estimate of the expenses of
39 processing the loan assumption or refinancing but
40 which does not exceed one percent of the unpaid balance
41 of the loan that is assumed or refinanced. In
42 addition, a lender may collect from a borrower, a
43 seller of property, another lender, or any other
44 person, or from any combination of these persons,
45 in contemplation of or in connection with a loan,
46 a commitment fee, closing fee, or both, that is agreed
47 to in writing by the lender and the persons from whom
48 the charges are to be collected. A loan fee collected
49 under this paragraph is compensation to the lender
50 solely for the use of money, notwithstanding any

H-3578

Page Ten

1 provision of the agreement to the contrary. However,
2 a loan fee collected under this paragraph shall be
3 disregarded for purposes of determining the maximum
4 charge permitted by section 535.2 or 535.9, subsection
5 2. The collection in connection with a loan of a
6 loan origination fee, closing fee, commitment fee,
7 or similar charge is prohibited other than expressly
8 authorized by this paragraph or a payment reduction
9 fee authorized by subsection 6.

10 Sec. _____. Section 535.8, subsection 2, paragraph
11 b, subparagraph (4), Code 1983, is amended to read
12 as follows:

13 (4) ~~Abstracting~~ Title insurance premiums and
14 abstracting fees paid to a third party, or when the
15 abstracting is performed by the lender, a fee which
16 is a reasonable estimate of the expense incurred by
17 the lender in performing the abstracting.

18 Sec. _____. Section 535.8, Code 1983, is amended
19 by adding the following new subsection:

20 NEW SUBSECTION. 6. A lender who offers to make
21 a loan with only those fees authorized by subsection
22 2 may also offer in exchange for the payment of an
23 interest reduction fee to make a loan on all of the
24 same terms except at a lower interest rate and with
25 the lower payments resulting from the lower inter-
26 est rate. Prior to accepting an application for a
27 loan which includes a payment reduction fee, the
28 lender shall provide the potential borrower with a
29 written disclosure describing in plain language the
30 specific terms which the loan would have both with
31 the payment reduction fee and without it. This
32 disclosure shall include a good faith example showing
33 the amount of the payment reduction fee and the
34 reduction in payments which would result from the
35 payment of this fee in a typical loan transaction.
36 A payment reduction fee which complies with this
37 subsection may be collected in connection with a loan
38 in addition to the fees authorized by subsection 2.

39 Sec. _____. Section 536A.20, Code 1983, is amended
40 to read as follows:

41 536A.20 REAL ESTATE LOANS.

42 1. A licensed industrial loan company may make
43 permanent loans, construction loans, or combined
44 construction and permanent loans, secured by liens
45 on real property, as authorized by rules adopted by
46 the auditor under chapter 17A. These rules shall
47 contain provisions as necessary to insure the safety
48 and soundness of these loans, and to insure full and
49 fair disclosure to borrowers of the effects of
50 provisions in agreements for these loans, including

H-3578
Page Eleven

1 provisions permitting change or adjustment of any
2 terms of a loan, provisions permitting, requiring,
3 or prohibiting repayment of a loan on a basis other
4 than of equal periodic installments of interest plus
5 principal over a fixed term, provisions imposing
6 penalties for the borrower's noncompliance with
7 requirements of a loan agreement, or provisions
8 allowing or requiring a borrower to choose from
9 alternative courses of action at any time during the
10 effectiveness of a loan agreement.

11 2. A licensed industrial loan company may include
12 ~~in the loan documents signed by the borrower a~~
13 ~~provision requiring the borrower to pay the company~~
14 ~~each month in addition to interest and principal under~~
15 ~~the note an amount equal to one-twelfth of the~~
16 ~~estimated annual real estate taxes, special~~
17 ~~assessments, hazard insurance premium, mortgage~~
18 ~~insurance premium, or any other payment agreed to~~
19 ~~by the borrower and the company in order to better~~
20 ~~secure the loan~~ require and establish escrow accounts
21 in connection with subsection 3. ~~The company shall~~
22 ~~be deemed to be acting in a fiduciary capacity with~~
23 ~~respect to these funds. -- A company receiving funds~~
24 ~~in escrow pursuant to an escrow agreement executed~~
25 ~~on or after July 1, 1982 in connection with a loan~~
26 ~~as defined in section 535.8, subsection 1, shall pay~~
27 ~~interest to the borrower on these funds, calculated~~
28 ~~on a daily basis, at the lowest rate the company pays~~
29 ~~to holders of thrift certificates issued by the~~
30 ~~company. -- If the company does not issue thrift~~
31 ~~certificates as defined in section 536B.2, the company~~
32 ~~shall pay an interest rate which represents the average~~
33 ~~of the lowest rates paid on thrift certificates by~~
34 ~~companies required to be members of the industrial~~
35 ~~loan thrift guaranty corporation under chapter 536B.~~
36 ~~This rate shall be determined by the auditor of state~~
37 ~~as of December 31 and June 30 of each year, and the~~
38 ~~auditor of state shall cause the rate to be published~~
39 ~~in the Iowa administrative bulletin within twenty~~
40 ~~days following the date of determination. -- The rate~~
41 ~~so determined shall apply from the date of publica-~~
42 ~~tion of the rate and until a different rate is~~
43 ~~published. -- A company which maintains an escrow account~~
44 ~~in connection with a loan authorized by this section,~~
45 ~~whether or not the mortgage has been assigned to a~~
46 ~~third person, shall each year deliver to the mortgagor~~
47 ~~a written annual accounting of all transactions made~~
48 ~~with respect to the loan and escrow account.~~

49 Sec. ____ Section 536A.20, Code 1983, is amended
50 by adding the following new subsection as subsection

H-3578

Page Twelve

1 3:
2 NEW SUBSECTION. 3. A licensed industrial loan
3 company may act as an escrow agent with respect to
4 real property that is mortgaged to the licensed
5 industrial loan company, and may receive funds and
6 make disbursements from escrowed funds in that
7 capacity. The licensed industrial loan company shall
8 be deemed to be acting in a fiduciary capacity with
9 respect to these funds. A licensed industrial loan
10 company which maintains such an escrow account, whether
11 or not the mortgage has been assigned to a third
12 person, shall deliver to the mortgagor a written
13 summary of all transactions made with respect to the
14 loan and escrow accounts during each calendar year.
15 However, the mortgagor and mortgagee may, by mutual
16 agreement, select a fiscal year reporting period other
17 than the calendar year.
18 The summary shall be delivered or mailed not later
19 than thirty days following the year to which the
20 disclosure relates. The summary shall contain all
21 of the following information:
22 1. The name and address of the mortgagee.
23 2. The name and address of the mortgagor.
24 3. A summary of escrow account activity during
25 the year as follows:
26 a. The balance of the escrow account at the
27 beginning of the year.
28 b. The aggregate amount of deposits to the escrow
29 account during the year.
30 c. The aggregate amount of withdrawals from the
31 escrow account for each of the following categories:
32 (1) Payments against loan principal.
33 (2) Payments against interest.
34 (3) Payments against real estate taxes.
35 (4) Payments for real property insurance premiums.
36 (5) All other withdrawals.
37 d. The balance of the escrow account at the end
38 of the year.
39 4. A summary of loan principal for the year as
40 follows:
41 a. The amount of principal outstanding at the
42 beginning of the year.
43 b. The aggregate amount of payments against
44 principal during the year.
45 c. The amount of principal outstanding at the
46 end of the year.
47 Sec. _____. Section 537.1301, subsection 14,
48 paragraph a, subparagraph (5), Code 1983, is amended
49 to read as follows:
50 (5) ~~Either~~ The amount financed does not exceed

H-3578

Page Thirteen

~~twenty-five thousand dollars,--or--the--debt--is--secured
by--an--interest--in--land.~~

Sec. ____ Section 537.1302, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. "Mortgage lender" means a domestic or foreign corporation authorized in this state to make loans secured by mortgages or deeds of trust.

Sec. ____ Section 537.2401, subsection 1, Code 1983, is amended to read as follows:

1. Except as provided with respect to a finance charge for loans pursuant to open end credit under section 537.2402, a lender may contract for and receive a finance charge not exceeding the maximum charge permitted by the laws of this state or of the United States for similar lenders, and, in addition, with respect to a consumer loan, a supervised financial organization or a mortgage lender may contract for and receive a finance charge, calculated according to the actuarial method, not exceeding twenty-one percent per year on the unpaid balance of the amount financed. This subsection does not prohibit a lender from contracting for and receiving a finance charge exceeding twenty-one percent per year on the unpaid balance of the amount financed on consumer loans if authorized by other provisions of the law.

Sec. ____ The commissioner of insurance shall adopt the rules required by section 1 of this Act and make them effective on or before January 1, 1984.

Sec. ____ There is appropriated from the general fund of the state for the fiscal year beginning July 1, 1983, and ending June 30, 1984, to the Iowa housing finance authority the amount of three million (3,000,000) dollars to be used to fund the program to reduce interest costs to be paid on loans established in section 220.81."

3. Title page, by striking lines 1 through 3 and inserting in lieu thereof the following: "An Act relating to real property loans by increasing the principal amount of the bonds and notes which may be issued by the Iowa housing finance authority under the Iowa small business loan program, creating residential mortgage marketing and interest reduction programs, authorizing title insurance, loan processing fees, and payment reduction fees, and making an appropriation."

4. Renumber as necessary.

H-3578 FILED APRIL 8, 1983 BY COMMITTEE ON SMALL BUSINESS AND COMMERCE

*Adopted as amended by 3661, 3662,
2717 & 3727 4/15/83 (p. 1284)
Motion to reconsider lost 4/18/83 (p. 1379)*

SENATE FILE 223

H-3657

1 Amend amendment, H-3578, to Senate File 223 as
2 passed by the Senate, as follows:
3 1. Page 5, by striking lines 46 through 50 and
4 inserting in lieu thereof the words "to, rules adopted
5 by the commissioner."

BY SWEARINGEN of Keokuk
CHAPMAN of Linn
JAY of Appanoose

H-3657 FILED APRIL 11, 1983

Lost 4/13/83 (p. 1275)

SENATE FILE 223

H-3655

1 Amend amendment, H-3578, to Senate File 223 as
2 passed by the Senate, as follows:
3 1. Page 6, by inserting after line 20 the
4 following:
5 "j. A requirement that the title insurance policy
6 issued to an owner provide coverage which pays a sum
7 equal to the face amount of the policy or the appraised
8 value of the property at the time of the loss,
9 whichever is the greater."

BY SWEARINGEN of Keokuk
CHAPMAN of Linn
ROSENBERG of Story

H-3655 FILED APRIL 11, 1983

Lost 4/13 (p. 1277)

SENATE FILE 223

H-3654

1 Amend amendment, H-3578, to Senate File 223 as
2 passed by the Senate, as follows:
3 1. Page 6, line 39, by inserting after the word
4 "discriminatory." the words "However, the premium
5 charges shall not exceed one-tenth of one percent
6 of the value of the property and the premium charged
7 a lender or a homeowner shall be the same."

BY CHAPMAN of Linn
HANSON of Delaware
SWEARINGEN of Keokuk
JAY of Appanoose

H-3654 FILED APRIL 11, 1983

Lost 4/13 (p. 1281)

SENATE FILE 223

H-3662

1 Amend House amendment, H-3578, to Senate File 223,
2 as passed by the Senate, as follows:
3 1. Page 13, by striking lines 29 through 35.
4 2. Page 13, line 43, by inserting after the word
5 "programs," the word "and".
6 3. Page 13, by striking lines 44 and 45 and
7 inserting in lieu thereof the words "fees, and payment
8 reduction fees."

H-3662 FILED APRIL 11, 1983

Adopted 4/13 (p. 1283)

BY CHIODO of Polk

H-3656

1 Amend amendment, H-3578, to Senate File 223 as
 2 follows:
 3 1. Page 13, by inserting after line 28 the
 4 following:
 5 "Sec. _____. There is appropriated from the general
 6 fund of the state for the fiscal year beginning July
 7 1, 1983 and ending June 30, 1984, to the insurance
 8 commissioner the sum of sixty-five thousand (65,000)
 9 dollars, or so much thereof as is necessary, for the
 10 expense of the administration of title insurance in
 11 the state."

BY SWEARINGEN of Keokuk
 CHAPMAN of Linn
 ROSENBERG of Story
 JAY of Appanoose

H-3656 FILED APRIL 11, 1983

Adopted 4/13/83 (p. 1283)

SENATE FILE 223

H-3661

1 Amend amendment, H-3578, to Senate File 223 as
 2 passed by the Senate, as follows:
 3 1. By striking page 5, line 37 through page 9,
 4 line 20.
 5 2. Page 10, by striking lines 10 through 17.
 6 3. Page 13, by striking lines 26 through 28.
 7 4. Page 13, line 43, by striking the words "title
 8 insurance,".

BY CHAPMAN of Linn
 SWEARINGEN of Keokuk
 ROSENBERG of Story
 HANSON of Delaware

H-3661 FILED APRIL 11, 1983

Adopted 4/13/83 (p. 1232)

SENATE FILE 223

H-3663

1 Amend the amendment, H-3578, to Senate File 223
 2 as passed by the Senate, as follows:
 3 1. Page 6, by inserting after line 20 the
 4 following:
 5 "j. A prohibition against payment of fees to
 6 persons other than licensed insurance agents and
 7 providing that an officer, director, or employee,
 8 of a lending institution which extends credit secured
 9 by real property or a subsidiary or a company under
 10 common ownership or control shall not, in connection
 11 with the credit transaction or during the time the
 12 credit is outstanding, to receive or become entitled,
 13 as a licensed agent, to a fee or commission on title
 14 insurance covering an interest in the real property."

BY CHAPMAN of Linn
 SWEARINGEN of Keokuk
 ROSENBERG of Story

H-3663 FILED APRIL 11, 1983

*Adopted 4/13 (p. 1278)**Placed out of order with adoption
of 3661 (p. 1282)*

SENATE FILE 223

H-3695

- 1 Amend House amendment, H-3578, to Senate File 223
- 2 as passed by the Senate, as follows:
- 3 1. Page 1, by striking lines 7 through 10.
- 4 2. Page 1, by striking lines 18 through 22.
- 5 3. Page 1, by striking lines 41 through 50.
- 6 4. Page 2, by striking lines 1 through 50.
- 7 5. Page 3, by striking lines 1 through 41.
- 8 6. Page 13, line 42, by striking the words
- 9 "residential mortgage marketing".
- 10 7. Renumber as necessary.

H-3695 FILED APRIL 12, 1983 BY WELDEN of Hardin

Lost 4/12/83 (p. 1272)

SENATE FILE 223

H-3696

- 1 Amend House amendment H-3578, to Senate File 223
- 2 as passed by the Senate, as follows:
- 3 1. Page 1, by striking lines 11 through 14.
- 4 2. Page 1, by striking lines 23 through 39.
- 5 3. Page 3, by striking lines 42 through 50.
- 6 4. Page 4, by striking lines 1 through 50.
- 7 5. Page 5, by striking lines 1 through 36.
- 8 6. Page 13, by striking lines 29 through 35.
- 9 7. Page 13, line 42, by striking the words
- 10 "interest reduction".
- 11 8. Page 13, by striking lines 44 and 45 and
- 12 inserting in lieu thereof the following: "fees, and
- 13 payment reduction fees."
- 14 9. Renumber as necessary.

BY WELDEN of Hardin
STROMER of Hancock

H-3696 FILED APRIL 12, 1983

*Lost 4/13 (p. 1273)
Return to Hancock's desk (p. 1283)*

SENATE FILE 223

H-3702

- 1 Amend amendment, H-3578, to Senate File 223 as
- 2 passed by the Senate, as follows:
- 3 1. Page 5, line 48, by striking the word
- 4 "primarily".
- 5 2. Page 5, by striking lines 49 through 50 and
- 6 inserting in lieu thereof the words "agricultural
- 7 production purposes."

BY SWEARINGEN of Keokuk
CHAPMAN of Linn
JAY of Appanoose

H-3702 FILED APRIL 12, 1983

*Adopted 4/13 (p. 1275)
Placed out of order upon adoption
of 3661 4/13 (p. 1282)*

SENATE FILE 223

H-3693

- 1 Amend Senate File 223 as passed by the Senate,
2 as follows:
3 1. Page 1, by inserting after line 24 the
4 following:
5 "Sec. ____ . Section 220.51, subsection 4, Code
6 1983, is amended to read as follows:
7 4. The powers granted the authority under this
8 section are in addition to other powers contained
9 in this chapter. All other provisions of this chapter,
10 except section ~~175-177, -subsectien-9-and-seetien-175-19~~
11 220.28, subsection 4, apply to bonds or notes issued
12 pursuant to and powers granted to the authority under
13 this section except to the extent that they are
14 inconsistent with this section."
15 2. Page 2, by inserting after line 5 the following:
16 "Sec. ____ . Section 524.901, subsection 2, paragraph
17 a, Code 1983, is amended to read as follows:
18 a. The total amount of the bonds or securities
19 of any one issuer or obligor, other than revenue or
20 improvement bonds issued by a municipality, the Iowa
21 housing finance authority, or the Iowa family farm
22 development authority and subjected to separate
23 investment limits under paragraphs "b", "c", "d",
24 ~~or~~ "f", or "g" of this subsection, shall not exceed
25 twenty percent of the capital and surplus of the state
26 bank.
27 Sec. ____ . Section 524.901, subsection 2, Code
28 1983, is amended by adding the following new lettered
29 paragraph:
30 NEW LETTERED PARAGRAPH. g. The total amount of
31 bonds or notes issued by the Iowa housing finance
32 authority pursuant to chapter 220 which have been
33 issued on behalf of any one small business as defined
34 in section 220.1, subsection 28, or any one group
35 home referred to in section 220.1, subsection 11,
36 paragraph a, and the proceeds of which have been
37 loaned to that small business or group home shall
38 not exceed twenty percent of the capital and surplus
39 of the bank."
40 3. Renumber as necessary.

H-3693 FILED APRIL 12, 1983 BY CHIODO of Polk
Adopted 4/13/83 (p. 1285)

SENATE FILE 223

H-3699

- 1 Amend amendment, H-3578, to Senate File 223 as
2 passed by the Senate, as follows:
3 1. Page 6, line 41, by striking the words "and
4 outside".

BY HANSON of Delaware
KREWSON of Polk
SCHNEKLOTH of Scott
ROSENBERG of Story

4/12 4/13 (p. 1280)
H-3699 FILED APRIL 12, 1983

SENATE FILE 223

3717

Amend House amendment H-3578 to Senate File 223,
as passed by the Senate, as follows:

1. By striking page 3, line 44 through page 4,
line 38, and inserting in lieu thereof the following:

"1. The authority shall initiate a residential
mortgage interest reduction program to reduce the
interest costs on groups of mortgage loans. The
authority shall use the money specially appropriated
to operate this program, and the authority may use
moneys declared to be surplus as provided in section
220.10, subsection 1, or moneys obtained from grants,
gifts, bequests, contributions, and other uncommitted
funds to operate this program.

2. Each mortgage loan included in this program
shall be for the purpose of acquiring a single-family
dwelling to be occupied by the owner of that dwelling,
or a two-family dwelling where the owner will occupy
one of the units. The authority shall adopt rules
establishing the maximum purchase prices for both
single-family dwellings and two-family dwellings in
order to be included in a particular group of
mortgages. These maximum purchase prices shall not
exceed the maximum prices established by section 103A,
Internal Revenue Code of 1954. These rules shall
only apply to mortgages financed from the sale of
tax-exempt bonds.

3. The interest reduction established by the
authority for a group of loans shall meet the
requirements of this subsection. The interest rate
of a loan shall be reduced for a period not to exceed
five years. The interest rate of a loan during the
first year shall be reduced by not less than three
percent and not more than five percent. The amount
of the reduction in the interest rate of the loan
in each subsequent year of the reduction period, if
there are any subsequent years, shall be equal to
the percent reduction in the first year multiplied
times a fraction which has as its denominator the
total number of years of the interest reduction period
and has as its numerator the number of years remaining
in the interest reduction period at the beginning
of the subsequent year. For purposes of this
subsection the first year of the interest reduction
period starts on the date the loan is closed and ends
eleven months after the date of the first monthly
payment.

4. The authority shall implement this program
by allocating a specified amount of money to reduce
the interest rate on some or all of the mortgage loans
purchased. The authority shall pay for the interest

1 reduction on a group of loans to mortgage lenders,
2 mortgage purchasers, or investors at the same time
3 that it purchases that group of loans. For each bond
4 issue using this program the authority shall establish
5 the interest rate reductions it will purchase, the
6 amount the authority will pay for the interest rate
7 reductions, and the method of determining which of
8 the eligible loans will be reduced."

ADOPTED (p.1274)

BY CHIODO of Polk
SCHROEDER of Pottawatamie

H-3717 FILED APRIL 13, 1983

SENATE FILE 223

H-3707

1 Amend House amendment, H-3578, to Senate File 223
2 as passed by the Senate, as follows:

3 1. Page 6, by inserting before line 1 the
4 following: "All title insurance issued shall cover
5 both the land and any structure on the land. The
6 insurance shall cover the losses of the buyer, the
7 seller, and the lender. The insurance shall contain
8 no exclusions from coverage unless the commissioner
9 has reviewed and approved the proposed exclusions."

10 2. Page 6, by inserting after line 20 the
11 following:

12 "j. A prohibition against a lending institution,
13 a subsidiary or a company under the ownership or
14 control of a lending institution, or an officer,
15 director, or employee of either the lending institution
16 or a subsidiary or company under the ownership or
17 control of a lending institution selling or entering
18 into the business of selling title insurance or from
19 collecting any profit or commission relating to the
20 sale of title insurance."

21 3. Page 7, by inserting after line 5, the
22 following:

23 "d. The commissioner shall base approval of rates
24 on experience in Iowa, unless the commissioner
25 determines that there is inadequate experience in
26 Iowa to set rates.

27 e. The commission shall review the rates at least
28 annually and may order reductions if the commission
29 determines that losses do not justify the rates."

BY SWARTZ of Marshall
PARKER of Jasper

H-3707 FILED APRIL 12, 1983

*Adopted as amended by 3734 4/13 (p.1274)
Placed out of order upon adoption of 3661 (p.1282)*
SENATE FILE 223

H-3708

1 Amend house amendment, H-3578, to Senate File 223,
2 as passed by the Senate, as follows:

3 1. Page 6, by inserting before line 1 the
4 following: "Title insurance may only be sold or
5 provided by a nonprofit corporation organized under
6 chapter 504 or 504A, or is organized as a nonprofit
7 corporation under the laws of another state."

BY VARN of Johnson
PARKER of Jasper

H-3708 FILED APRIL 12, 1983

*Placed out of order with adoption of 3661
4/13 (p.1282)*
FEY of Scott

SENATE FILE 223

3727

1 Amend amendment, H-3578, to Senate File 223, as
2 passed by the Senate, as follows:

3. 1. Page 6, by inserting after line 20 the
4 following:

5 "j. A requirement that if the title insurer obtains
6 a report or opinion by an attorney or from a mortgage
7 lender relating to defects in or liens or encumbrances
8 on the title of real property, the unmarketability
9 of the title to real property, or the invalidity or
10 unenforceability of liens or encumbrances upon real
11 property, the title insurer shall provide a copy of
12 the report or opinion to the mortgagor and the
13 mortgagor's attorney."

14 2. Page 9, by inserting after line 20 the
15 following:

16 "Sec. ____ Section 524.905, Code 1983, is amended
17 by adding the following new subsection as subsection
18 5:

19 NEW SUBSECTION. 5. If the bank obtains a report
20 or opinion by an attorney or from another mortgage
21 lender relating to defects in or liens or encumbrances
22 on the title of real property, the unmarketability
23 of the title to real property, or the invalidity or
24 unenforceability of liens or encumbrances upon real
25 property, the bank shall provide a copy of the report
26 or opinion to the mortgagor and the mortgagor's
27 attorney.

28 Sec. ____ Section 533.16, subsection 4, Code 1983,
29 is amended by adding the following new lettered
30 paragraph:

31 NEW LETTERED PARAGRAPH. Section 524.905, subsection
32 5, applies to the credit union in the same manner
33 as if the credit union is a bank within the meaning
34 of that provision.

35 Sec. ____ Section 534.80, Code 1983, is amended
36 by adding the following new subsection:

37 NEW SUBSECTION. Section 524.905, subsection 5,
38 applies to the association in the same manner as if
39 the association is a bank within the meaning of that
40 provision."

41 3. Page 12, by inserting after line 46 the
42 following:

43 "Sec. ____ Section 536A.20, Code 1983, is amended
44 by adding the following new subsection:

45 NEW SUBSECTION. Section 524.905, subsection 5,
46 applies to the licensed industrial loan company in
47 the same manner as if the licensed industrial loan
48 company is a bank within the meaning of that
49 provision."

50 4. By numbering and renumbering as necessary.

SENATE FILE 223

H-3718

1 Amend House amendment H-3578, to Senate File 223,
 2 as passed by the Senate, as follows:
 3 1. Page 5, by striking line 37 and inserting in
 4 lieu thereof the following:
 5 "Sec. 1000. Section 515.48, Code 1983, is amended".
 6 2. Page 13, line 27, by striking the number "1"
 7 and inserting in lieu thereof the number "1000".

ADOPTED, RULED OUT OF ORDER*

H-3718 FILED APRIL 13, 1983 BY CHIODO of Polk

upon adoption of 2661 (p. 1272)

SENATE FILE 223

H-3725

1 Amend amendment H-3578 to Senate File 223 as passed
 2 by the Senate, as follows:
 3 1. Page 6, by inserting after line 20 the
 4 following:
 5 "j. A requirement that the title insurer, under
 6 a policy for the benefit of the owner of the real
 7 property insured under the policy, is liable for the
 8 full amount of the policy which has been designated
 9 for title insurance regardless of the value of the
 10 insured real property."
 11 2. By renumbering as necessary.

ADOPTED, RULED OUT OF ORDER

H-3725 FILED APRIL 13, 1983 BY GROTH of Buena Vista

upon adoption of 2661 (p. 1282)

SENATE FILE 223

H-3732

1 Amend House amendment H-3578 to Senate File 223,
 2 as passed by the Senate, as follows:
 3 1. Page 6, line 41, by striking the words "and
 4 outside".
 5 2. Page 6, by striking line 46 and inserting in
 6 lieu thereof the following: "and prospective expenses
 7 within Iowa;"

ADOPTED, RULED OUT OF ORDER

upon adoption of 2661 (p. 1282)

BY HANSON of Delaware
 KREWSON of Polk
 SCHNEKLOTH of Scott
 ROSENBERG of Story

H-3732

1 Amend House amendment H-3578 to Senate File 223

2 as passed by the Senate, as follows:

3 1. Page 1, by inserting before line 5 the

4 following:

5 "Section 1. Section 220.1, subsection 28, Code
6 1983, is amended by adding the following new unnumbered
7 paragraph:

8 NEW UNNUMBERED PARAGRAPH. The authority may, by
9 resolution, waive any or all of the requirements of
10 paragraph b in connection with a loan to a small
11 business, as defined under applicable federal law
12 and regulations that have been enacted or adopted
13 by April 1, 1983, in which federal assistance,
14 insurance or guaranties are sought."

15 2. Renumber as necessary.

ADOPTED (p. 1233)

H-3733 FILED APRIL 13, 1983

BY CHIODO of Polk

SENATE FILE 223

H-3734

1 Amend amendment H-3707 to amendment H-3578 to
2 Senate File 223 as amended, passed and reprinted by
3 the Senate as follows:

4 1. Page 1, line 27, by striking the word "commission"
5 and inserting in lieu thereof the word "commissioner".

6 2. Page 1, line 28, by striking the word "commission"
7 and inserting in lieu thereof the word "commissioner".

OUT OF ORDER

H-3734 FILED APRIL 13, 1983

BY SWARTZ of Marshall

*Adopted 4/13 (p. 1276)
Placed out of order upon adoption
of 3661 (p. 1282)*

S-3598

1 Amend Senate File 223 as passed by the Senate,
2 as follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. Section 220.1, subsection 28, Code
6 1983, is amended by adding the following new unnumbered
7 paragraph:

8 NEW UNNUMBERED PARAGRAPH. The authority may, by
9 resolution, waive any or all of the requirements of
10 paragraph b in connection with a loan to a small
11 business, as defined under applicable federal law
12 and regulations that have been enacted or adopted
13 by April 1, 1983, in which federal assistance,
14 insurance or guaranties are sought.

15 Sec. 2. Section 220.1, Code 1983, is amended by
16 adding the following new subsections:

17 NEW SUBSECTION. 29. "Mortgage-backed security"
18 means a security issued by the authority which is
19 secured by residential mortgage loans owned by the
20 authority.

21 NEW SUBSECTION. 30. "Residential mortgage interest
22 reduction program" means the program for buying-down
23 interest rates on residential mortgage loans pursuant
24 to sections 220.81 through 220.84.

25 NEW SUBSECTION. 31. "Residential mortgage loan"
26 means a financial obligation secured by a mortgage
27 on a single-family or two-family home.

28 NEW SUBSECTION. 32. "Residential mortgage
29 marketing program" means the program for buying and
30 selling residential mortgage loans and the selling
31 of mortgage-backed securities pursuant to sections
32 220.71 through 220.73.

33 Sec. 3. Section 220.10, subsection 1, Code 1983,
34 is amended to read as follows:

35 1. All moneys declared by the authority to be
36 surplus moneys which are not required to service bonds
37 and notes issued by the authority, to pay
38 administrative expenses of the authority, or to
39 accumulate necessary operating or loss reserves, shall
40 be used by the authority to pay administrative expenses
41 of or provide loans to the Iowa family farm development
42 authority in connection with the programs authorized
43 in the Iowa family farm development Act, ~~or~~ to provide
44 grants, subsidies, and services to lower income
45 families and very low income families through any
46 of the programs authorized in this chapter, or to
47 provide funds for the residential mortgage interest
48 reduction program established pursuant to section
49 220.81."

50 2. Page 1, by inserting after line 24 the

1 following:

2 "Sec. _____. Section 220.51, subsection 4, Code
3 1983, is amended to read as follows:

4 4. The powers granted the authority under this
5 section are in addition to other powers contained
6 in this chapter. All other provisions of this chapter,
7 except section ~~175-177-subsection-9-and-section-175-19~~
8 220.28, subsection 4, apply to bonds or notes issued
9 pursuant to and powers granted to the authority under
10 this section except to the extent that they are
11 inconsistent with this section."

12 3. Page 2, by inserting after line 5 the following:

13 "Sec. _____. NEW SECTION. 220.71 RESIDENTIAL
14 MORTGAGE MARKETING PROGRAM. The authority shall
15 establish a program to assist lenders to sell
16 residential mortgage loans in the organized and
17 unorganized secondary mortgage market. The authority
18 may issue taxable and tax-exempt bonds and notes.
19 The proceeds of the bonds shall be used to purchase
20 residential mortgage loans from lenders. The bonds
21 and notes are a portion of the total principal amount
22 of bonds and notes of the authority which may be
23 outstanding at any time pursuant to section 220.26,
24 subsection 1. Bonds and notes issued under this
25 section are subject to all provisions of this chapter
26 relating to the issuance of bonds.

27 Sec. _____. NEW SECTION. 220.72 POWERS.

28 1. The authority may purchase, and make advance
29 commitments to purchase, residential mortgage loans
30 from mortgage lenders at prices and upon terms and
31 conditions it determines subject to this section.
32 However, the total purchase price for all residential
33 mortgage loans which the authority commits to purchase
34 from a mortgage lender at any one time shall not
35 exceed the total of the unpaid principal balances
36 of the residential mortgage loans purchased. Mortgage
37 lenders are authorized to sell residential mortgage
38 loans to the authority in accordance with this section
39 and the rules of the authority. The authority may
40 charge a mortgage lender a commitment fee or other
41 fees as set by rule as a condition for the authority
42 purchasing residential mortgage loans.

43 2. The authority may sell or make advanced
44 commitments to sell residential mortgage loans in
45 the organized or unorganized secondary mortgage market.
46 The authority may issue and sell securities that are
47 secured by residential mortgage loans held by the
48 authority. The authority may aggregate the residential
49 mortgage loans sold in the secondary market or used
50 as security on the mortgage-backed securities. The

1 amount of mortgage-backed securities sold shall not
2 exceed principal of the mortgages retained by the
3 authority as security.

4 3. The authority may require as a condition of
5 purchase of a residential mortgage loan from a mortgage
6 lender that the mortgage lender represent and warrant
7 to the authority that:

8 a. The unpaid principal balance of the residential
9 mortgage loan and the interest rate on it have been
10 accurately stated to the authority.

11 b. The amount of the unpaid principal balance
12 is justly due and owing.

13 c. The mortgage lender has no notice of the
14 existence of a counterclaim, offset, or defense
15 asserted by the mortgagor or the mortgagor's successor
16 in interest.

17 d. The residential mortgage loan is evidenced
18 by a bond or promissory note and a mortgage which
19 has been properly recorded with the appropriate public
20 official.

21 e. The mortgage constitutes a valid first lien
22 on the real property described in the mortgage to
23 the authority subject only to real property taxes
24 not yet due, installments of assessments not yet due,
25 and easements and restrictions of record which do
26 not adversely affect, to a material degree, the use
27 or value of the real property or improvements on it.

28 f. The mortgagor is not now in default in the
29 payment of an installment of principal or interest,
30 escrow funds, real property taxes, or otherwise in
31 the performance of obligations under the mortgage
32 documents and has not to the knowledge of the mortgage
33 lender been in default in the performance of an
34 obligation under the mortgage for a period of longer
35 than sixty days during the life of the mortgage.

36 g. The improvements to the mortgaged real property
37 are covered by a valid and subsisting policy of
38 insurance issued by a company authorized to issue
39 policies in this state and providing fire and extended
40 coverage in amounts as the authority prescribes by
41 rule.

42 h. The residential mortgage loan meets the
43 prevailing investment quality standards for residential
44 mortgage loans in this state.

45 Sec. ____ . NEW SECTION. 220.73 RULES. The
46 authority shall adopt rules pursuant to chapter 17A
47 relating to the purchase and sale of residential
48 mortgage loans and the sale of mortgage-backed
49 securities. The rules shall provide at least for
50 the following:

1 1. Procedures for the submission by mortgage
2 lenders to the authority of offers to sell mortgage
3 loans.

4 2. Standards for allocating bond proceeds among
5 mortgage lenders offering to sell mortgage loans to
6 the authority.

7 3. Standards for determining the aggregate
8 principal amount of mortgage loans to be purchased
9 from each mortgage lender and the purchase price.

10 4. Schedules of fees and charges to be imposed
11 by the authority.

12 5. Procedures for issuing mortgage-backed
13 securities.

14 Sec. . NEW SECTION. 220.81 RESIDENTIAL
15 MORTGAGE INTEREST REDUCTION PROGRAM.

16 1. The authority shall initiate a residential
17 mortgage interest reduction program to reduce the
18 interest costs on groups of mortgage loans. The
19 authority shall use the money specially appropriated
20 to operate this program, and the authority may use
21 moneys declared to be surplus as provided in section
22 220.10, subsection 1, or moneys obtained from grants,
23 gifts, bequests, contributions, and other uncommitted
24 funds to operate this program.

25 2. Each mortgage loan included in this program
26 shall be for the purpose of acquiring a single-family
27 dwelling to be occupied by the owner of that dwelling,
28 or a two-family dwelling where the owner will occupy
29 one of the units. The authority shall adopt rules
30 establishing the maximum purchase prices for both
31 single-family dwellings and two-family dwellings in
32 order to be included in a particular group of
33 mortgages. These maximum purchase prices shall not
34 exceed the maximum prices established by section 103A,
35 Internal Revenue Code of 1954. These rules shall
36 only apply to mortgages financed from the sale of
37 tax-exempt bonds.

38 3. The interest reduction established by the
39 authority for a group of loans shall meet the
40 requirements of this subsection. The interest rate
41 of a loan shall be reduced for a period not to exceed
42 five years. The interest rate of a loan during the
43 first year shall be reduced by not less than three
44 percent and not more than five percent. The amount
45 of the reduction in the interest rate of the loan
46 in each subsequent year of the reduction period, if
47 there are any subsequent years, shall be equal to
48 the percent reduction in the first year multiplied
49 times a fraction which has as its denominator the
50 total number of years of the interest reduction period

S-3598 - PAGE 5

1 and has as its numerator the number of years remaining
2 in the interest reduction period at the beginning
3 of the subsequent year. For purposes of this
4 subsection the first year of the interest reduction
5 period starts on the date the loan is closed and ends
6 eleven months after the date of the first monthly
7 payment.

8 4. The authority shall implement this program
9 by allocating a specified amount of money to reduce
10 the interest rate on some or all of the mortgage loans
11 purchased. The authority shall pay for the interest
12 reduction on a group of loans to mortgage lenders,
13 mortgage purchasers, or investors at the same time
14 that it purchases that group of loans. For each bond
15 issue using this program the authority shall establish
16 the interest rate reductions it will purchase, the
17 amount the authority will pay for the interest rate
18 reductions, and the method of determining which of
19 the eligible loans will be reduced.

327/20 Sec. ____ . NEW SECTION. 220.82 LIEN. The
21 authority shall file a lien on the property for which
22 an interest reduction payment is made in the amount
23 of the payment. The lien shall be filed in the
24 recorder's office of the county in which the property
25 is located.

327/26 Sec. ____ . NEW SECTION. 220.83 RECAPTURE OF
27 INTEREST REDUCTION PAYMENT.

28 1. A mortgagor shall repay the authority the
29 lesser of the amount of interest reduction payment
30 actually paid by the authority on behalf of the
31 mortgagor or fifty percent of the net appreciation
32 of the property. The term "net appreciation of the
33 property" as used in this section means an increase
34 in the value of the property over the purchase price
35 less the reasonable costs of sale, and the reasonable
36 costs of improvements made to the property.

37 2. Repayment shall be made when any of the
38 following occur:

39 a. The mortgagor sells or otherwise transfers
40 the property. However, repayment is not required
41 if the transfer is to the surviving spouse of the
42 mortgagor upon the mortgagor's death.

43 b. The mortgagor rents the property for more than
44 twelve months.

45 c. The mortgagor requests the authority to release
46 the lien on the property.

47 d. The mortgage lender files a court action to
48 foreclose on the mortgage. However, the authority
49 may abate payment pending the outcome of the
50 foreclosure action.

3077 1 Sec. ____ . NEW SECTION. 220.84 RULES. The
2 authority shall adopt rules pursuant to chapter 17A
3 for the administration of the residential mortgage
4 interest reduction program. The rules shall include,
5 but are not limited to, the following:
6 1. Standards for eligibility of a mortgagor
7 including a minimum down payment or interest in the
8 property.
9 2. Standards for the eligibility of the property.
10 3. Procedures for application to participate in
11 the program.
12 4. Procedures for payment of the interest reduction
13 payment to the mortgage lender or mortgage investor.
14 5. Standards for determining the amount of interest
15 reduction that will be approved.
16 6. Schedules of fees and charges to be imposed
17 by the authority."

18 4. Page 2, by inserting after line 5 the following:
19 "Sec. ____ . Section 524.901, subsection 2, paragraph
20 a, Code 1983, is amended to read as follows:

21 a. The total amount of the bonds or securities
22 of any one issuer or obligor, other than revenue or
23 improvement bonds issued by a municipality, the Iowa
24 housing finance authority, or the Iowa family farm
25 development authority and subjected to separate
26 investment limits under paragraphs "b", "c", "d",
27 or "f", or "g" of this subsection, shall not exceed
28 twenty percent of the capital and surplus of the state
29 bank.

30 Sec. ____ . Section 524.901, subsection 2, Code
31 1983, is amended by adding the following new lettered
32 paragraph:

33 NEW LETTERED PARAGRAPH. g. The total amount of
34 bonds or notes issued by the Iowa housing finance
35 authority pursuant to chapter 220 which have been
36 issued on behalf of any one small business as defined
37 in section 220.1, subsection 28, or any one group
38 home referred to in section 220.1, subsection 11,
39 paragraph a, and the proceeds of which have been
40 loaned to that small business or group home shall
41 not exceed twenty percent of the capital and surplus
42 of the bank.

43 Sec. ____ . Section 524.905, Code 1983, is amended
44 by adding the following new subsection as subsection
45 5:

46 NEW SUBSECTION. 5. If the bank obtains a report
47 or opinion by an attorney or from another mortgage
48 lender relating to defects in or liens or encumbrances
49 on the title of real property, the unmarketability
50 of the title to real property, or the invalidity or

1 unenforceability of liens or encumbrances upon real
2 property, the bank shall provide a copy of the report
3 or opinion to the mortgagor and the mortgagor's
4 attorney.

5 Sec. _____. Section 533.16, subsection 4, Code
6 1983, is amended by adding the following new lettered
7 paragraph:

8 NEW LETTERED PARAGRAPH. Section 524.905, subsection
9 5, applies to the credit union in the same manner
10 as if the credit union is a bank within the meaning
11 of that provision.

12 Sec. _____. Section 534.80, Code 1983, is amended
13 by adding the following new subsection:

14 NEW SUBSECTION. Section 524.905, subsection 5,
15 applies to the association in the same manner as if
16 the association is a bank within the meaning of that
17 provision.

18 Sec. _____. Section 535.8, subsection 2, paragraph
19 a, Code 1983, is amended by striking the paragraph
20 and inserting in lieu thereof the following:

21 a. A lender may collect, in connection with a
22 loan made pursuant to a written agreement executed
23 by the borrower on or after the effective date of
24 this Act, or in connection with a loan made pursuant
25 to a written commitment by the lender mailed or
26 delivered to the borrower on or after that date, a
27 loan processing fee which does not exceed two percent
28 of an amount which is equal to the loan principal;
29 except that to the extent of an assumption by a new
30 borrower of the obligation to make payments under
31 a prior loan, or to the extent that the loan principal
32 is used to refinance a prior loan between the same
33 borrower and the same lender, the lender may collect
34 a loan processing fee which does not exceed an amount
35 which is a reasonable estimate of the expenses of
36 processing the loan assumption or refinancing but
37 which does not exceed one percent of the unpaid balance
38 of the loan that is assumed or refinanced. In
39 addition, a lender may collect from a borrower, a
40 seller of property, another lender, or any other
41 person, or from any combination of these persons,
42 in contemplation of or in connection with a loan,
43 a commitment fee, closing fee, or both, that is agreed
44 to in writing by the lender and the persons from whom
45 the charges are to be collected. A loan fee collected
46 under this paragraph is compensation to the lender
47 solely for the use of money, notwithstanding any
48 provision of the agreement to the contrary. However,
49 a loan fee collected under this paragraph shall be
50 disregarded for purposes of determining the maximum

1 charge permitted by section 535.2 or 535.9, subsection
2 2. The collection in connection with a loan of a
3 loan origination fee, closing fee, commitment fee,
4 or similar charge is prohibited other than expressly
5 authorized by this paragraph or a payment reduction
6 fee authorized by subsection 6.

7 Sec. _____. Section 535.8, Code 1983, is amended
8 by adding the following new subsection:

9 NEW SUBSECTION. 6. A lender who offers to make
10 a loan with only those fees authorized by subsection
11 2 may also offer in exchange for the payment of an
12 interest reduction fee to make a loan on all of the
13 same terms except at a lower interest rate and with
14 the lower payments resulting from the lower inter-
15 est rate. Prior to accepting an application for a
16 loan which includes a payment reduction fee, the
17 lender shall provide the potential borrower with a
18 written disclosure describing in plain language the
19 specific terms which the loan would have both with
20 the payment reduction fee and without it. This
21 disclosure shall include a good faith example showing
22 the amount of the payment reduction fee and the
23 reduction in payments which would result from the
24 payment of this fee in a typical loan transaction.
25 A payment reduction fee which complies with this
26 subsection may be collected in connection with a loan
27 in addition to the fees authorized by subsection 2.

28 Sec. _____. Section 536A.20, Code 1983, is amended
29 to read as follows:

30 536A.20 REAL ESTATE LOANS.

31 1. A licensed industrial loan company may make
32 permanent loans, construction loans, or combined
33 construction and permanent loans, secured by liens
34 on real property, as authorized by rules adopted by
35 the auditor under chapter 17A. These rules shall
36 contain provisions as necessary to insure the safety
37 and soundness of these loans, and to insure full and
38 fair disclosure to borrowers of the effects of
39 provisions in agreements for these loans, including
40 provisions permitting change or adjustment of any
41 terms of a loan, provisions permitting, requiring,
42 or prohibiting repayment of a loan on a basis other
43 than of equal periodic installments of interest plus
44 principal over a fixed term, provisions imposing
45 penalties for the borrower's noncompliance with
46 requirements of a loan agreement, or provisions
47 allowing or requiring a borrower to choose from
48 alternative courses of action at any time during the
49 effectiveness of a loan agreement.

50 2. A licensed industrial loan company may include

1 in-the-loan-documents-signed-by-the-borrower-a
2 provision-requiring-the-borrower-to-pay-the-company
3 each-month-in-addition-to-interest-and-principal-under
4 the-note-an-amount-equal-to-one-twelfth-of-the
5 estimated-annual-real-estate-taxes,-special
6 assessments,-hazard-insurance-premium,-mortgage
7 insurance-premium,-or-any-other-payment-agreed-to
8 by-the-borrower-and-the-company-in-order-to-better
9 secure-the-loan require and establish escrow accounts
10 in connection with subsection 3. The-company-shall
11 be-deemed-to-be-acting-in-a-fiduciary-capacity-with
12 respect-to-these-funds.--A-company-receiving-funds
13 in-escrow-pursuant-to-an-escrow-agreement-executed
14 on-or-after-July-17-1982-in-connection-with-a-loan
15 as-defined-in-section-535-87-subsection-17-shall-pay
16 interest-to-the-borrower-on-these-funds,-calculated
17 on-a-daily-basis,-at-the-lowest-rate-the-company-pays
18 to-holders-of-thrift-certificates-issued-by-the
19 company.--if-the-company-does-not-issue-thrift
20 certificates-as-defined-in-section-536B-2,-the-company
21 shall-pay-an-interest-rate-which-represents-the-average
22 of-the-lowest-rates-paid-on-thrift-certificates-by
23 companies-required-to-be-members-of-the-industrial
24 loan-thrift-guaranty-corporation-under-chapter-536B-
25 This-rate-shall-be-determined-by-the-auditor-of-state
26 as-of-December-31-and-June-30-of-each-year,-and-the
27 auditor-of-state-shall-cause-the-rate-to-be-published
28 in-the-Iowa-administrative-bulletin-within-twenty
29 days-following-the-date-of-determination.--The-rate
30 so-determined-shall-apply-from-the-date-of-publica-
31 tion-of-the-rate-and-until-a-different-rate-is
32 published.--A-company-which-maintains-an-escrow-account
33 in-connection-with-a-loan-authorized-by-this-section,
34 whether-or-not-the-mortgage-has-been-assigned-to-a
35 third-person,-shall-each-year-deliver-to-the-mortgagor
36 a-written-annual-accounting-of-all-transactions-made
37 with-respect-to-the-loan-and-escrow-account-

38 Sec. _____. Section 536A.20, Code 1983, is amended
39 by adding the following new subsection as subsection
40 3:

41 NEW SUBSECTION. 3. A licensed industrial loan
42 company may act as an escrow agent with respect to
43 real property that is mortgaged to the licensed
44 industrial loan company, and may receive funds and
45 make disbursements from escrowed funds in that
46 capacity. The licensed industrial loan company shall
47 be deemed to be acting in a fiduciary capacity with
48 respect to these funds. A licensed industrial loan
49 company which maintains such an escrow account, whether
50 or not the mortgage has been assigned to a third

1 person, shall deliver to the mortgagor a written
2 summary of all transactions made with respect to the
3 loan and escrow accounts during each calendar year.
4 However, the mortgagor and mortgagee may, by mutual
5 agreement, select a fiscal year reporting period other
6 than the calendar year.

7 The summary shall be delivered or mailed not later
8 than thirty days following the year to which the
9 disclosure relates. The summary shall contain all
10 of the following information:

- 11 1. The name and address of the mortgagee.
- 12 2. The name and address of the mortgagor.
- 13 3. A summary of escrow account activity during
14 the year as follows:
 - 15 a. The balance of the escrow account at the
16 beginning of the year.
 - 17 b. The aggregate amount of deposits to the escrow
18 account during the year.
 - 19 c. The aggregate amount of withdrawals from the
20 escrow account for each of the following categories:
 - 21 (1) Payments against loan principal.
 - 22 (2) Payments against interest.
 - 23 (3) Payments against real estate taxes.
 - 24 (4) Payments for real property insurance premiums.
 - 25 (5) All other withdrawals.
 - 26 d. The balance of the escrow account at the end
27 of the year.
- 28 4. A summary of loan principal for the year as
29 follows:
 - 30 a. The amount of principal outstanding at the
31 beginning of the year.
 - 32 b. The aggregate amount of payments against
33 principal during the year.
 - 34 c. The amount of principal outstanding at the
35 end of the year.

36 Sec. _____. Section 536A.20, Code 1983, is amended
37 by adding the following new subsection:
38 NEW SUBSECTION. Section 524.905, subsection 5,
39 applies to the licensed industrial loan company in
40 the same manner as if the licensed industrial loan
41 company is a bank within the meaning of that provision.

42 Sec. _____. Section 537.1301, subsection 14,
43 paragraph a, subparagraph (5), Code 1983, is amended
44 to read as follows:

45 (5) ~~Either the~~ The amount financed does not exceed
46 twenty-five thousand dollars, ~~or the debt is secured~~
47 ~~by an interest-in-hand.~~

48 Sec. _____. Section 537.1302, Code 1983, is amended
49 by adding the following new subsection:

50 NEW SUBSECTION. "Mortgage lender" means a domestic

S-3598 - PAGE 11

1 or foreign corporation authorized in this state to
2 make loans secured by mortgages or deeds of trust.

3 Sec. ____ . Section 537.2401, subsection 1, Code
4 1983, is amended to read as follows:

5 1. Except as provided with respect to a finance
6 charge for loans pursuant to open end credit under
7 section 537.2402, a lender may contract for and receive
8 a finance charge not exceeding the maximum charge
9 permitted by the laws of this state or of the United
10 States for similar lenders, and, in addition, with
11 respect to a consumer loan, a supervised financial
12 organization or a mortgage lender may contract for
13 and receive a finance charge, calculated according
14 to the actuarial method, not exceeding twenty-one
15 percent per year on the unpaid balance of the amount
16 financed. This subsection does not prohibit a lender
17 from contracting for and receiving a finance charge
18 exceeding twenty-one percent per year on the unpaid
19 balance of the amount financed on consumer loans if
20 authorized by other provisions of the law."

21 5. Renumber as necessary.

22 6. Title page, by striking lines 1 through 3 and
23 inserting in lieu thereof the following: "An Act
24 relating to real property loans by increasing the
25 principal amount of the bonds and notes which may
26 be issued by the Iowa housing finance authority under
27 the Iowa small business loan program, creating
28 residential mortgage marketing and interest reduction
29 programs, and authorizing loan processing fees, and
30 payment reduction fees."

S-3598 FILED
APRIL 19, 1983

RECEIVED FROM THE HOUSE

Senate concurred 4/28/83 (p. 1432)

S-3666

1 Amend the House amendment S-3598 to Senate File
2 223 as passed by the Senate, as follows:

3 1. By striking page 1, line 3 through page 11,
4 line 20 and inserting in lieu thereof the following:

5 " _____. Page 2, by inserting after line 5 the
6 following:

7 "Sec. _____. Section 535.8, subsection 2, paragraph
8 a, Code 1983, is amended to read as follows:

9 2. a. ~~A lender may collect in connection with~~
10 ~~a loan a loan processing fee which does not exceed~~
11 ~~one percent of an amount which is equal to the loan~~
12 ~~principal less twelve thousand five hundred dollars,~~
13 ~~except that in the event of an assumption of a prior~~
14 ~~loan the lender may collect a loan processing fee~~
15 ~~which does not exceed an amount which is a reasonable~~
16 ~~estimate of the expense of processing the loan~~
17 ~~assumption but which does not exceed one percent of~~
18 ~~the amount assumed. A lender may collect, in~~
19 connection with any loan made pursuant to a written
20 agreement executed by the borrower on or after the
21 effective date of this Act, or in connection with
22 any loan made pursuant to a written commitment by
23 the lender mailed or delivered to the borrower on
24 or after that date, a loan processing fee which does
25 not exceed two percent of an amount which is equal
26 to the loan principal; except that to the extent of
27 an assumption by a new borrower of the obligation
28 to make payments under a prior loan, or to the extent
29 that the loan principal is used to refinance a prior
30 loan between the same borrower and the same lender,
31 the lender may collect a loan processing fee which
32 does not exceed an amount which is a reasonable
33 estimate of the expenses of processing the loan
34 assumption or refinancing but which does not exceed
35 one percent of the unpaid balance of the loan that
36 is assumed or refinanced. In addition, a lender may
37 collect in connection with a loan a commitment fee,
38 closing fee, or similar charge from the person who
39 developed or constructed the dwelling or from any
40 other person who is neither the borrower nor the owner
41 of the dwelling that is being purchased with part
42 or all of the proceeds of the loan. A loan fee
43 collected under the authority of this paragraph is
44 compensation to the lender solely for the use of
45 money, notwithstanding any provision of the agreement
46 to the contrary. However, a loan fee collected under
47 the authority of this paragraph shall be disregarded
48 for purposes of determining the maximum charge
49 permitted by section 535.2 or 535.9, subsection 2.
50 The collection in connection with a loan of a loan

S-3666

PAGE 2

1 origination fee, closing fee, commitment fee or similar
2 charge other than expressly authorized by this
3 paragraph is prohibited.
4 Sec. _____. This Act, being deemed of immediate
5 importance, takes effect from and after its publication
6 in the Quad City Times, a newspaper published in
7 Davenport, Iowa, and in The Council Bluffs Nonpareil,
8 a newspaper published in Council Bluffs, Iowa."
9 2. Page 11, by striking lines 27 through 30 and
10 inserting in lieu thereof the following: "the Iowa
11 small business loan program and authorizing loan
12 processing fees."

S-3666 FILED

APRIL 26, 1983

File 4/27/83 (p. 1411)

BY EDGAR H. HOLDEN

GEORGE KINLEY

SENATE FILE 223

S-3671

1 Amend the House amendment, S-3598 to Senate File
2 223 as passed by the Senate, as follows:
3 1. Page 1, by striking lines 21 through 24.
4 2. Page 1, by striking lines 33 through 49.
5 3. Page 4, by striking line 14 through page 6,
6 line 17.
7 4. Page 11, line 28, by striking the words "and
8 interest reduction".

S-3671 FILED

APRIL 26, 1983

Out of order 4/27/83 (p. 1419)

BY EDGAR H. HOLDEN

SENATE FILE 223

S-3672

1 Amend the House amendment, S-3598, to Senate File
2 223 as passed by the Senate, as follows:
3 1. Page 1, by striking lines 15 through 20.
4 2. Page 1, by striking lines 25 through 32.
5 3. By striking page 2, line 12 through page 4,
6 line 13.
7 4. Page 11, line 27, by striking the word
8 "creating".
9 5. Page 11, line 28, by striking the words
10 "residential mortgage marketing".
11 6. Page 11, line 29, by striking the word
12 "programs".
13 7. Renumber as necessary.

S-3672 FILED

APRIL 26, 1983

4/27 4/27/83 (p. 1422)

BY EDGAR H. HOLDEN

SENATE FILE 223

S-3679

1 Amend the House amendment, S-3598 to Senate File
2 223 as passed by the Senate, as follows:

3 1. Page 1, by striking lines 21 through 24.

4 2. Page 1, by striking lines 33 through 49.

5 3. Page 4, by striking line 14 through page 6,
6 line 17.

7 4. Page 7, by striking line 18 through page 8,
8 line 6 and inserting in lieu thereof the following:

9 "Sec. ____ Section 535.8, subsection 2, paragraphs
10 a, b, and d, Code 1983, are amended by striking the
11 paragraphs.

12 Sec. ____ Section 535.8, subsections 3 and 4,
13 Code 1983, are amended by striking the subsections.

14 Sec. ____ Section 535.8, subsection 5, unnumbered
15 paragraph 1, Code 1983, is amended to read as follows:

16 ~~The provisions of this~~ This section shall not apply
17 to any loan which is subject to the provisions of
18 section 682.46, ~~nor shall it apply to origination~~
19 ~~fees, administrative fees, commitment fees or similar~~
20 ~~charges paid by one lender to another lender if these~~
21 ~~fees are not ultimately paid either directly or~~
22 ~~indirectly by the borrower who occupies or will occupy~~
23 ~~the dwelling or by the seller of the dwelling."~~

24 5. Page 11, line 28, by striking the words "and
25 interest reduction".

6 6. Renumber as necessary.

S-3679 FILED
APRIL 28, 1983

BY EDGAR H. HOLDEN
GEORGE R. KINLEY

DIVISION A - LOST (p 1419)
DIVISION B - LOST (p 1419)
DIVISION C - WITHDRAWN (p 1419)

SENATE FILE 223

S-3677

- 1 Amend House amendment S-3598 to Senate File 223
- 2 as passed by the Senate, as follows:
- 3 1. Page 8, line 19, by inserting after the word
- 4 "terms" the words "and interest rate".
- 5 2. Page 8, line 22, by inserting after the word
- 6 "fee" the words ", the lower interest rate,".

S-3677 FILED & LOST
APRIL 27, 1983 (p. 1422)

BY EDGAR H. HOLDEN

SENATE FILE 223

S-3678

- 1 Amend House amendment, S-3598, to Senate File 223
- 2 as passed by the Senate, as follows:
- 3 1. Page 1, by striking lines 17 through 20.
- 4 2. Page 1, by striking lines 28 through 32.
- 5 3. Page 2, by striking line 13 through page 4,
- 6 line 13.
- 7 4. Page 11, line 28, by striking the words
- 8 "residential mortgage marketing and".

S-3678 FILED & LOST (p. 1418)
APRIL 27, 1983

BY EDGAR H. HOLDEN

S-3686

1 Amend House amendment S-3598 to Senate File 223
2 as passed by the Senate, as follows:
3 1. By striking page 7, line 18, through page 8,
4 line 6, and inserting in lieu thereof the following:
5 "Sec. ____ Section 535.8, subsection 2, paragraph
6 a, Code 1983, is amended to read as follows:
7 2. a. ~~A lender may collect in connection with~~
8 ~~a loan a loan processing fee which does not exceed~~
9 ~~one percent of an amount which is equal to the loan~~
10 ~~principal less twelve thousand five hundred dollars,~~
11 ~~except that in the event of an assumption of a prior~~
12 ~~loan the lender may collect a loan processing fee~~
13 ~~which does not exceed an amount which is a reasonable~~
14 ~~estimate of the expense of processing the loan~~
15 ~~assumption but which does not exceed one percent of~~
16 ~~the amount assumed. A lender may collect, in~~
17 connection with any loan made pursuant to a written
18 agreement executed by the borrower on or after the
19 effective date of this Act, or in connection with
20 any loan made pursuant to a written commitment by
21 the lender mailed or delivered to the borrower on
22 or after that date, a loan processing fee which does
23 not exceed two percent of an amount which is equal
24 to the loan principal; except that to the extent of
25 an assumption by a new borrower of the obligation
26 to make payments under a prior loan, or to the extent
27 that the loan principal is used to refinance a prior
28 loan between the same borrower and the same lender,
29 the lender may collect a loan processing fee which
30 does not exceed an amount which is a reasonable
31 estimate of the expenses of processing the loan
32 assumption or refinancing but which does not exceed
33 one percent of the unpaid balance of the loan that
34 is assumed or refinanced. In addition, a lender may
35 collect in connection with a loan a commitment fee,
36 closing fee, or similar charge from the person who
37 developed or constructed the dwelling or from any
38 other person who is neither the borrower nor the owner
39 of the dwelling that is being purchased with part
40 or all of the proceeds of the loan. A loan fee
41 collected under the authority of this paragraph is
42 compensation to the lender solely for the use of
43 money, notwithstanding any provision of the agreement
44 to the contrary. However, a loan fee collected under
45 the authority of this paragraph shall be disregarded
46 for purposes of determining the maximum charge
47 permitted by section 535.2 or 535.9, subsection 2.
48 The collection in connection with a loan of a loan
49 origination fee, closing fee, commitment fee or similar
50 charge other than expressly authorized by this

PAGE 2

1 paragraph, or a pyament reduction fee authorized by
2 subsection 6, is prohibited."

S-3686 FILED & LOST

BY CHARLES BRUNER

APRIL 27, 1983 (p. 1421)

Motion to reconsider lost 4/28 (p. 1436)

S-3682

1 Amend House amendment S=3598 to Senate File 223
2 as passed by the Senate, as follows:
3 1. Page 7, by striking line 18 through page 8, line
4 27 and inserting in lieu thereof the following:
5 "Sec. ____ Section 535.8, subsection 2, paragraph a,
6 Code 1983, is amended by striking the paragraph and
7 inserting in lieu thereof the following:
8 a. A lender may collect the following fees in
9 connection with a loan made pursuant to a written agree-
10 ment executed by the borrower on or after the effective
11 date of this Act, or in connection with a loan made
12 pursuant to a written commitment by the lender mailed
13 or delivered to the borrower on or after that date:
14 (1) To the extent of an assumption by a new
15 borrower of the obligation to make payments under a
16 prior loan, or to the extent that the loan principal
17 is used to refinance a prior loan between the same
18 borrower and the same lender, the lender may collect
19 from the borrower a loan fee which does not exceed an
20 amount which is a reasonable estimate of the expenses
21 of processing the loan assumption or refinancing but
22 which does not exceed one percent of the unpaid balance
23 of the loan that is assumed or refinanced.
24 (2) To the extent that subparagraph (1) does not
25 apply, the lender may collect from the borrower a fee
26 equal to two percent of the loan principal.
27 (3) A lender may collect from a person who is
28 neither the borrower nor the owner of the dwelling
29 that is being purchased with part or all of the proceeds
30 of the loan a fee in any amount agreed to in writing.
31 (4) A lender may collect from the person who developed
32 or constructed the dwelling a fee in any amount agreed to in
33 writing.
34 (5) A lender may collect from any person a fee in any
35 amount agreed to in writing.
36 (6) A lender may collect a fee authorized by subsection
37 6.
38 A fee collected under this paragraph is compensation to the
39 lender solely for the use of money, notwithstanding any
40 provision of the agreement to the contrary. However, a loan
41 fee collected under this paragraph shall be disregarded for
42 purposes of determining the maximum charge permitted by
43 section 535.2 or 535.9, subsection 2. The collection in
44 connection with a loan of any fee other than those expressly
45 authorized by this paragraph is prohibited.
46 Sec. ____ Section 535.8, Code 1983, is amended by adding
47 the following new subsection:
48 NEW SUBSECTION. 6. A lender who offers to make a loan
49 with only those fees authorized by subsection 2 may offer
50 also in exchange for the payment of an interest reduction

S-3682
PAGE 2

1 fee to make a loan on all of the same terms except at a
2 lower interest rate and with the lower payments resulting
3 from the lower interest rate. Prior to accepting an applica-
4 tion for a loan which includes a payment reduction fee, the
5 lender shall provide the potential borrower with a written
6 disclosure describing in plain language the interest rate,
7 monthly payments, and number of monthly payments which the
8 loan would have both with the payment reduction fee and
9 without it. This disclosure shall include a good faith
10 example showing the amount of the payment reduction fee
11 and the reduction in payments which would result from the
12 payment of this fee in a typical loan transaction."

S-3682 FILED & LOST
APRIL 27, 1983 (g 1421)

BY EDGAR H. HOLDEN
GEORGE R. KINLEY

SENATE FILE 223

S-3685

1 Amend House amendment S-3598 to Senate File 223
2 as passed by the Senate, as follows:
3 1. Page 8, line 8, by striking the word
4 "subsection" and inserting in lieu thereof the word
5 "subsections".
6 2. Page 8, by inserting after line 27 the
7 following:
8 "NEW SUBSECTION. 7. A lender may declare a loan
9 to be due, accelerate the loan, or change any term
10 of the loan only if the borrower is in default of
11 the loan agreement. As used in this subsection the
12 term "default" means as defined in section 537, 5109."

S-3685 FILED
APRIL 27, 1983
Lost 4/28/83 (g 1435)

BY GEORGE R. KINLEY

SENATE FILE 223

AN ACT

RELATING TO REAL PROPERTY LOANS BY INCREASING THE PRINCIPAL AMOUNT OF THE BONDS AND NOTES WHICH MAY BE ISSUED BY THE IOWA HOUSING FINANCE AUTHORITY UNDER THE IOWA SMALL BUSINESS LOAN PROGRAM, CREATING RESIDENTIAL MORTGAGE MARKETING AND INTEREST REDUCTION PROGRAMS, AND AUTHORIZING LOAN PROCESSING FEES, AND PAYMENT REDUCTION FEES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 220.1, subsection 28, Code 1983, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The authority may, by resolution, waive any or all of the requirements of paragraph b in connection with a loan to a small business, as defined under applicable federal law and regulations that have been enacted or adopted by April 1, 1983, in which federal assistance, insurance or guaranties are sought.

Sec. 2. Section 220.1, Code 1983, is amended by adding the following new subsections:

NEW SUBSECTION. 29. "Mortgage-backed security" means a security issued by the authority which is secured by residential mortgage loans owned by the authority.

NEW SUBSECTION. 30. "Residential mortgage interest reduction program" means the program for buying-down interest rates on residential mortgage loans pursuant to sections 220.81 through 220.84.

NEW SUBSECTION. 31. "Residential mortgage loan" means a financial obligation secured by a mortgage on a single-family or two-family home.

NEW SUBSECTION. 32. "Residential mortgage marketing program" means the program for buying and selling residential mortgage loans and the selling of mortgage-backed securities pursuant to sections 220.71 through 220.73.

Sec. 3. Section 220.10, subsection 1, Code 1983, is amended to read as follows:

1. All moneys declared by the authority to be surplus moneys which are not required to service bonds and notes issued by the authority, to pay administrative expenses of the authority, or to accumulate necessary operating or loss reserves, shall be used by the authority to pay administrative expenses of or provide loans to the Iowa family farm development authority in connection with the programs authorized in the Iowa family farm development Act, ~~or~~ to provide grants, subsidies, and services to lower income families and very low income families through any of the programs authorized in this chapter, or to provide funds for the residential mortgage interest reduction program established pursuant to section 220.91.

Sec. 4. Section 220.26, subsection 1, Code 1983, is amended to read as follows:

1. The authority may issue its negotiable bonds and notes in principal amounts as, in the opinion of the authority, are necessary to provide sufficient funds for achievement of its corporate purposes, the payment of interest on its bonds and notes, the establishment of reserves to secure its bonds and notes, and all other expenditures of the authority incident to and necessary or convenient to carry out its purposes and powers. However, the authority may not have a total principal amount of bonds and notes outstanding at any time in excess of five hundred million dollars plus a total of fifty million dollars for property improvement loans to finance solar and other renewable energy systems in housing as authorized by section 220.37 and to finance loans to provide solar and other renewable energy systems for and to increase the energy efficiency of small businesses under the Iowa small business loan program. Fifty One hundred million dollars of the total principal amount of bonds and notes may be issued pursuant to the small business loan program ~~established under~~

~~sections 220.61 to 220.65.~~ The bonds and notes shall be deemed to be investment securities and negotiable instruments within the meaning of and for all purposes of the uniform commercial code.

Sec. 5. Section 220.51, subsection 4, Code 1983, is amended to read as follows:

4. The powers granted the authority under this section are in addition to other powers contained in this chapter. All other provisions of this chapter, except section ~~175-177~~ ~~subsection 9 and section 175-19~~ 220.28, subsection 4, apply to bonds or notes issued pursuant to and powers granted to the authority under this section except to the extent that they are inconsistent with this section.

Sec. 6. Section 220.62, subsection 1, Code 1983, is amended to read as follows:

1. The authority shall initiate a program to assist the development and expansion of small business in Iowa. The authority may issue bonds and notes the proceeds of which shall be used to make program loans. The principal amount of bonds and notes are that may be issued pursuant to the loan program and the principal amount of the bonds and notes issued which shall be counted as a portion of the total principal amount of bonds and notes of the authority which may be outstanding at any time pursuant to are as provided in section 220.26, subsection 1. ~~The principal amount of bonds and notes issued pursuant to the loan program shall not exceed fifty million dollars.~~ Bonds and notes issued under this section are subject to all provisions of this chapter relating to the issuance of bonds.

Sec. 7. NEW SECTION. 220.71 RESIDENTIAL MORTGAGE MARKETING PROGRAM. The authority shall establish a program to assist lenders to sell residential mortgage loans in the organized and unorganized secondary mortgage market. The authority may issue taxable and tax-exempt bonds and notes. The proceeds of the bonds shall be used to purchase residential

mortgage loans from lenders. The bonds and notes are a portion of the total principal amount of bonds and notes of the authority which may be outstanding at any time pursuant to section 220.26, subsection 1. Bonds and notes issued under this section are subject to all provisions of this chapter relating to the issuance of bonds.

Sec. 8. NEW SECTION. 220.72 POWERS.

1. The authority may purchase, and make advance commitments to purchase, residential mortgage loans from mortgage lenders at prices and upon terms and conditions it determines subject to this section. However, the total purchase price for all residential mortgage loans which the authority commits to purchase from a mortgage lender at any one time shall not exceed the total of the unpaid principal balances of the residential mortgage loans purchased. Mortgage lenders are authorized to sell residential mortgage loans to the authority in accordance with this section and the rules of the authority. The authority may charge a mortgage lender a commitment fee or other fees as set by rule as a condition for the authority purchasing residential mortgage loans.

2. The authority may sell or make advanced commitments to sell residential mortgage loans in the organized or unorganized secondary mortgage market. The authority may issue and sell securities that are secured by residential mortgage loans held by the authority. The authority may aggregate the residential mortgage loans sold in the secondary market or used as security on the mortgage-backed securities. The amount of mortgage-backed securities sold shall not exceed principal of the mortgages retained by the authority as security.

3. The authority may require as a condition of purchase of a residential mortgage loan from a mortgage lender that the mortgage lender represent and warrant to the authority that:

a. The unpaid principal balance of the residential mortgage loan and the interest rate on it have been accurately stated to the authority.

b. The amount of the unpaid principal balance is justly due and owing.

c. The mortgage lender has no notice of the existence of a counterclaim, offset, or defense asserted by the mortgagor or the mortgagor's successor in interest.

d. The residential mortgage loan is evidenced by a bond or promissory note and a mortgage which has been properly recorded with the appropriate public official.

e. The mortgage constitutes a valid first lien on the real property described in the mortgage to the authority subject only to real property taxes not yet due, installments of assessments not yet due, and easements and restrictions of record which do not adversely affect, to a material degree, the use or value of the real property or improvements on it.

f. The mortgagor is not now in default in the payment of an installment of principal or interest, escrow funds, real property taxes, or otherwise in the performance of obligations under the mortgage documents and has not to the knowledge of the mortgage lender been in default in the performance of an obligation under the mortgage for a period of longer than sixty days during the life of the mortgage.

g. The improvements to the mortgaged real property are covered by a valid and subsisting policy of insurance issued by a company authorized to issue policies in this state and providing fire and extended coverage in amounts as the authority prescribes by rule.

h. The residential mortgage loan meets the prevailing investment quality standards for residential mortgage loans in this state.

Sec. 9. NEW SECTION. 220.73 RULES. The authority shall adopt rules pursuant to chapter 17A relating to the purchase and sale of residential mortgage loans and the sale of

mortgage-backed securities. The rules shall provide at least for the following:

1. Procedures for the submission by mortgage lenders to the authority of offers to sell mortgage loans.

2. Standards for allocating bond proceeds among mortgage lenders offering to sell mortgage loans to the authority.

3. Standards for determining the aggregate principal amount of mortgage loans to be purchased from each mortgage lender and the purchase price.

4. Schedules of fees and charges to be imposed by the authority.

5. Procedures for issuing mortgage-backed securities.

Sec. 10. NEW SECTION. 220.81 RESIDENTIAL MORTGAGE INTEREST REDUCTION PROGRAM.

1. The authority shall initiate a residential mortgage interest reduction program to reduce the interest costs on groups of mortgage loans. The authority shall use the money specially appropriated to operate this program, and the authority may use moneys declared to be surplus as provided in section 220.10, subsection 1, or moneys obtained from grants, gifts, bequests, contributions, and other uncommitted funds to operate this program.

2. Each mortgage loan included in this program shall be for the purpose of acquiring a single-family dwelling to be occupied by the owner of that dwelling, or a two-family dwelling where the owner will occupy one of the units. The authority shall adopt rules establishing the maximum purchase prices for both single-family dwellings and two-family dwellings in order to be included in a particular group of mortgages. These maximum purchase prices shall not exceed the maximum prices established by section 103A, Internal Revenue Code of 1954. These rules shall only apply to mortgages financed from the sale of tax-exempt bonds.

3. The interest reduction established by the authority for a group of loans shall meet the requirements of this

subsection. The interest rate of a loan shall be reduced for a period not to exceed five years. The interest rate of a loan during the first year shall be reduced by not less than three percent and not more than five percent. The amount of the reduction in the interest rate of the loan in each subsequent year of the reduction period, if there are any subsequent years, shall be equal to the percent reduction in the first year multiplied times a fraction which has as its denominator the total number of years of the interest reduction period and has as its numerator the number of years remaining in the interest reduction period at the beginning of the subsequent year. For purposes of this subsection the first year of the interest reduction period starts on the date the loan is closed and ends eleven months after the date of the first monthly payment.

4. The authority shall implement this program by allocating a specified amount of money to reduce the interest rate on some or all of the mortgage loans purchased. The authority shall pay for the interest reduction on a group of loans to mortgage lenders, mortgage purchasers, or investors at the same time that it purchases that group of loans. For each bond issue using this program the authority shall establish the interest rate reductions it will purchase, the amount the authority will pay for the interest rate reductions, and the method of determining which of the eligible loans will be reduced.

Sec. 11. NEW SECTION. 220.82 LIEN. The authority shall file a lien on the property for which an interest reduction payment is made in the amount of the payment. The lien shall be filed in the recorder's office of the county in which the property is located.

Sec. 12. NEW SECTION. 220.83 RECAPTURE OF INTEREST REDUCTION PAYMENT.

1. A mortgagor shall repay the authority the lesser of the amount of interest reduction payment actually paid by

the authority on behalf of the mortgagor or fifty percent of the net appreciation of the property. The term "net appreciation of the property" as used in this section means an increase in the value of the property over the purchase price less the reasonable costs of sale and the reasonable costs of improvements made to the property.

2. Repayment shall be made when any of the following occur:

- a. The mortgagor sells or otherwise transfers the property. However, repayment is not required if the transfer is to the surviving spouse of the mortgagor upon the mortgagor's death.
- b. The mortgagor rents the property for more than twelve months.
- c. The mortgagor requests the authority to release the lien on the property.
- d. The mortgage lender files a court action to foreclose on the mortgage. However, the authority may abate payment pending the outcome of the foreclosure action.

Sec. 13. NEW SECTION. 220.84 RULES. The authority shall adopt rules pursuant to chapter 17A for the administration of the residential mortgage interest reduction program. The rules shall include, but are not limited to, the following:

1. Standards for eligibility of a mortgagor including a minimum down payment or interest in the property.
2. Standards for the eligibility of the property.
3. Procedures for application to participate in the program.
4. Procedures for payment of the interest reduction payment to the mortgage lender or mortgage investor.
5. Standards for determining the amount of interest reduction that will be approved.
6. Schedules of fees and charges to be imposed by the authority.

Sec. 14. Section 524.901, subsection 2, paragraph a, Code 1983, is amended to read as follows:

a. The total amount of the bonds or securities of any one issuer or obligor, other than revenue or improvement bonds issued by a municipality, the Iowa housing finance authority, or the Iowa family farm development authority and subjected to separate investment limits under paragraphs "b", "c", "d", ~~or~~ "f", or "g" of this subsection, shall not exceed twenty percent of the capital and surplus of the state bank.

Sec. 15. Section 524.901, subsection 2, Code 1983, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. g. The total amount of bonds or notes issued by the Iowa housing finance authority pursuant to chapter 220 which have been issued on behalf of any one small business as defined in section 220.1, subsection 28, or any one group home referred to in section 220.1, subsection 11, paragraph a, and the proceeds of which have been loaned to that small business or group home shall not exceed twenty percent of the capital and surplus of the bank.

Sec. 16. Section 524.905, Code 1983, is amended by adding the following new subsection as subsection 5:

NEW SUBSECTION. 5. If the bank obtains a report or opinion by an attorney or from another mortgage lender relating to defects in or liens or encumbrances on the title of real property, the unmarketability of the title to real property, or the invalidity or unenforceability of liens or encumbrances upon real property, the bank shall provide a copy of the report or opinion to the mortgagor and the mortgagor's attorney.

Sec. 17. Section 533.16, subsection 4, Code 1983, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. Section 524.905, subsection 5, applies to the credit union in the same manner as if the credit union is a bank within the meaning of that provision.

Sec. 18. Section 534.80, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. Section 524.905, subsection 5, applies to the association in the same manner as if the association is a bank within the meaning of that provision.

Sec. 19. Section 535.8, subsection 2, paragraph a, Code 1983, is amended by striking the paragraph and inserting in lieu thereof the following:

a. A lender may collect, in connection with a loan made pursuant to a written agreement executed by the borrower on or after the effective date of this Act, or in connection with a loan made pursuant to a written commitment by the lender mailed or delivered to the borrower on or after that date, a loan processing fee which does not exceed two percent of an amount which is equal to the loan principal; except that to the extent of an assumption by a new borrower of the obligation to make payments under a prior loan, or to the extent that the loan principal is used to refinance a prior loan between the same borrower and the same lender, the lender may collect a loan processing fee which does not exceed an amount which is a reasonable estimate of the expenses of processing the loan assumption or refinancing but which does not exceed one percent of the unpaid balance of the loan that is assumed or refinanced. In addition, a lender may collect from a borrower, a seller of property, another lender, or any other person, or from any combination of these persons, in contemplation of or in connection with a loan, a commitment fee, closing fee, or both, that is agreed to in writing by the lender and the persons from whom the charges are to be collected. A loan fee collected under this paragraph is compensation to the lender solely for the use of money, notwithstanding any provision of the agreement to the contrary. However, a loan fee collected under this paragraph shall be disregarded for purposes of determining the maximum charge permitted by section 535.2 or 535.9, subsection 2. The collection in connection with a loan of a loan origination fee, closing fee, commitment fee, or similar charge is

prohibited other than expressly authorized by this paragraph or a payment reduction fee authorized by subsection 6.

Sec. 20. Section 535.8, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. 6. A lender who offers to make a loan with only those fees authorized by subsection 2 may also offer in exchange for the payment of an interest reduction fee to make a loan on all of the same terms except at a lower interest rate and with the lower payments resulting from the lower interest rate. Prior to accepting an application for a loan which includes a payment reduction fee, the lender shall provide the potential borrower with a written disclosure describing in plain language the specific terms which the loan would have both with the payment reduction fee and without it. This disclosure shall include a good faith example showing the amount of the payment reduction fee and the reduction in payments which would result from the payment of this fee in a typical loan transaction. A payment reduction fee which complies with this subsection may be collected in connection with a loan in addition to the fees authorized by subsection 2.

Sec. 21. Section 536A.20, Code 1983, is amended to read as follows:

536A.20 REAL ESTATE LOANS.

1. A licensed industrial loan company may make permanent loans, construction loans, or combined construction and permanent loans, secured by liens on real property, as authorized by rules adopted by the auditor under chapter 17A. These rules shall contain provisions as necessary to insure the safety and soundness of these loans, and to insure full and fair disclosure to borrowers of the effects of provisions in agreements for these loans, including provisions permitting change or adjustment of any terms of a loan, provisions permitting, requiring, or prohibiting repayment of a loan on a basis other than of equal periodic installments of

interest plus principal over a fixed term, provisions imposing penalties for the borrower's noncompliance with requirements of a loan agreement, or provisions allowing or requiring a borrower to choose from alternative courses of action at any time during the effectiveness of a loan agreement.

2. A licensed industrial loan company may include in the loan documents signed by the borrower a provision requiring the borrower to pay the company each month in addition to interest and principal under the note an amount equal to one-twelfth of the estimated annual real estate taxes, special assessments, hazard insurance premium, mortgage insurance premium, or any other payment agreed to by the borrower and the company in order to better secure the loan require and establish escrow accounts in connection with subsection 3. The company shall be deemed to be acting in a fiduciary capacity with respect to these funds. A company receiving funds in escrow pursuant to an escrow agreement executed on or after July 1, 1982 in connection with a loan as defined in section 535.8, subsection 1, shall pay interest to the borrower on these funds, calculated on a daily basis, at the lowest rate the company pays to holders of thrift certificates issued by the company. If the company does not issue thrift certificates as defined in section 536B.2, the company shall pay an interest rate which represents the average of the lowest rates paid on thrift certificates by companies required to be members of the industrial loan thrift guaranty corporation under chapter 536B. This rate shall be determined by the auditor of state as of December 31 and June 30 of each year, and the auditor of state shall cause the rate to be published in the Iowa administrative bulletin within twenty days following the date of determination. The rate so determined shall apply from the date of publication of the rate and until a different rate is published. A company which maintains an escrow account in connection with a loan authorized by this section, whether or not the mortgage has

~~been assigned to a third person, shall each year deliver to the mortgagor a written annual accounting of all transactions made with respect to the loan and escrow account.~~

Sec. 22. Section 536A.20, Code 1983, is amended by adding the following new subsection as subsection 3:

NEW SUBSECTION. 3. A licensed industrial loan company may act as an escrow agent with respect to real property that is mortgaged to the licensed industrial loan company, and may receive funds and make disbursements from escrowed funds in that capacity. The licensed industrial loan company shall be deemed to be acting in a fiduciary capacity with respect to these funds. A licensed industrial loan company which maintains such an escrow account, whether or not the mortgage has been assigned to a third person, shall deliver to the mortgagor a written summary of all transactions made with respect to the loan and escrow accounts during each calendar year. However, the mortgagor and mortgagee may, by mutual agreement, select a fiscal year reporting period other than the calendar year.

The summary shall be delivered or mailed not later than thirty days following the year to which the disclosure relates. The summary shall contain all of the following information:

1. The name and address of the mortgagee.
2. The name and address of the mortgagor.
3. A summary of escrow account activity during the year as follows:
 - a. The balance of the escrow account at the beginning of the year.
 - b. The aggregate amount of deposits to the escrow account during the year.
 - c. The aggregate amount of withdrawals from the escrow account for each of the following categories:
 - (1) Payments against loan principal.
 - (2) Payments against interest.
 - (3) Payments against real estate taxes.

- (4) Payments for real property insurance premiums.
- (5) All other withdrawals.
- d. The balance of the escrow account at the end of the year.
4. A summary of loan principal for the year as follows:
 - a. The amount of principal outstanding at the beginning of the year.
 - b. The aggregate amount of payments against principal during the year.
 - c. The amount of principal outstanding at the end of the year.

Sec. 23. Section 536A.20, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. Section 524.905, subsection 5, applies to the licensed industrial loan company in the same manner as if the licensed industrial loan company is a bank within the meaning of that provision.

Sec. 24. Section 537.1301, subsection 14, paragraph a, subparagraph (5), Code 1983, is amended to read as follows:

(5) ~~Either the~~ The amount financed does not exceed twenty-five thousand dollars, ~~or the debt is secured by an interest in land.~~

Sec. 25. Section 537.1302, Code 1983, is amended by adding the following new subsection:

NEW SUBSECTION. "Mortgage lender" means a domestic or foreign corporation authorized in this state to make loans secured by mortgages or deeds of trust.

Sec. 26. Section 537.2401, subsection 1, Code 1983, is amended to read as follows:

1. Except as provided with respect to a finance charge for loans pursuant to open end credit under section 537.2402, a lender may contract for and receive a finance charge not exceeding the maximum charge permitted by the laws of this state or of the United States for similar lenders, and, in addition, with respect to a consumer loan, a supervised

financial organization or a mortgage lender may contract for and receive a finance charge, calculated according to the actuarial method, not exceeding twenty-one percent per year on the unpaid balance of the amount financed. This subsection does not prohibit a lender from contracting for and receiving a finance charge exceeding twenty-one percent per year on the unpaid balance of the amount financed on consumer loans if authorized by other provisions of the law.

ROBERT T. ANDERSON
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 223, Seventieth General Assembly.

K. MARIE THAYER
Secretary of the Senate

Approved May 13, 1983

TERRY E. BRANSTAD
Governor