

reprinted

FILED MAR 07 1989

Commerce

DC pass 3-16-89 (p. 824)

SENATE FILE 361

BY HUTCHINS

(COMPANION TO HF 369

BY METCALF)

Passed Senate, Date 4-20-89 (p. 1570) Passed House, Date 5/5/89 (p. 2516)
Vote: Ayes 45 Nays 0 Vote: Ayes 95 Nays 2
Approved May 31, 1989

A BILL FOR

1 An Act relating to reverse annuity and graduated payment
2 mortgages, by providing for their regulation by the
3 administrators of the divisions of banking, savings and loan
4 associations, and credit unions, of the department of
5 commerce, and imposing certain standards and restrictions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 361

1 Section 1. NEW SECTION. 528.1 TITLE.

2 This chapter is entitled "Alternative and Reverse Annuity
3 Mortgage Loan Act".

4 Sec. 2. NEW SECTION. 528.2 DEFINITIONS.

5 As used in this chapter, unless the context otherwise
6 requires:

7 1. "Administrator" means the superintendent of banking,
8 the superintendent of savings and loan associations, and the
9 superintendent of credit unions within the department of
10 commerce.

11 2. "Alternative mortgage loan" means a mortgage loan which
12 is a reverse annuity mortgage loan or graduated payment
13 mortgage loan.

14 3. "Financial institution" means a bank incorporated under
15 chapter 524 or federal law, a savings and loan association
16 incorporated under chapter 534 or federal law, a credit union
17 organized under chapter 533 or federal law, and a corporation
18 licensed as an industrial loan company under chapter 536A.

19 4. "Graduated payment mortgage loan" means a mortgage loan
20 in which principal and interest payments, if any, and the
31/4 21 making of additional advances, if any, are designed to reflect
22 the prospective increasing or decreasing income of the
23 mortgagor.

24 5. "Mortgage loan" means a loan secured by a first
25 mortgage on one, two, three, or four family, owner-occupied
26 residential real property.

37/4 27 6. "Reverse annuity mortgage loan" means a mortgage loan
28 in which loan proceeds are advanced to the mortgagors, in
29 installments, either directly or indirectly, and which
30 together with unpaid interest, if any, is to be repaid in
31 accordance with section 528.7.

32 Sec. 3. NEW SECTION. 528.3 FINANCIAL INSTITUTIONS
33 ALLOWED TO MAKE ALTERNATIVE MORTGAGES.

34 A financial institution may make alternative mortgage loans
35 in accordance with this chapter. General provisions governing

1 a financial institution's mortgage loans apply to alternative
2 mortgage loans unless inconsistent with the provisions of this
3 chapter. This chapter does not prohibit a financial
4 institution from making any loan which is not an alternative
5 mortgage loan, provided such loan otherwise complies with
6 applicable laws.

7 Sec. 4. NEW SECTION. 528.4 PREPAYMENT PENALTY
8 PROHIBITED.

3794 9 A financial institution making an alternative mortgage loan
10 may contract with the mortgagor for interest to be paid
11 currently or to accrue, and if accrued, for accrued interest
12 to be added to the mortgage debt on which interest may be
13 charged and collected. Accrued interest which is added to the
14 mortgage debt shall be secured by the mortgage to the same
15 extent as the principal of the alternative mortgage loan. An
16 instrument evidencing an alternative mortgage loan and a deed
17 granting an alternative mortgage loan shall not contain a
18 provision imposing a penalty for prepayment of the loan.

19 Sec. 5. NEW SECTION. 528.5 DISCLOSURE OF ALTERNATIVE
20 MORTGAGE LOAN INFORMATION TO APPLICANTS.

379421 1. A financial institution that offers or makes an
22 alternative mortgage loan shall disclose, to the person who
23 requests an application for a mortgage loan or who states that
24 the person is a prospective mortgage loan applicant, the
25 information concerning all types of mortgage loans, including
26 each type of alternative mortgage loan, offered by the
27 financial institution, as the administrator for that type of
28 institution prescribes by rule. The administrator may
29 prescribe by rule forms for the required disclosures.

30 2. A prospective mortgage loan applicant shall have the
31 choice of applying for a mortgage loan or any type of
32 alternative mortgage loan offered by the financial
33 institution.

34 Sec. 6. NEW SECTION. 528.6 PROTOTYPE PLAN FOR
35 ALTERNATIVE MORTGAGE LOANS -- APPROVAL BY ADMINISTRATOR.

37441 1. Before a financial institution makes an alternative
2 mortgage loan, it shall submit to the administrator for that
3 type of institution, for the administrator's approval, the
4 prototype plan and subsequent amendments to the plan under
5 which alternative mortgage loans are to be made. A plan
6 submitted shall include a copy of the form of note and
7 mortgage deed that will be used for that type of alternative
8 mortgage loan, a detailed description of how the plan will
9 function, and other information as the administrator requires.
10 The administrator shall specifically review the mortgage deed
11 submitted as part of the plan to ensure that any default
12 provisions included in the deed pursuant to section 528.7,
13 subsection 2, paragraph "c", are necessary to protect the
14 interests of the mortgagee and are fair and equitable for the
15 mortgagor.

16 2. The administrator may approve any plan and amendment to
17 a plan that in the administrator's opinion serves the best
18 interests of prospective mortgagors and mortgagees. The
19 administrator's considerations shall include, without
20 limitation, the flexibility of each plan to serve the
21 differing needs of various persons who may apply for an
22 alternative mortgage loan under the plan.

23 3. If the administrator approves the plan or amendment,
24 the financial institution may make alternative mortgage loans
25 in accordance with the approved plan and any approved
26 amendments.

27 4. This section applies to all alternative mortgage loans
28 made on or after January 1, 1990.

29 Sec. 7. NEW SECTION. 528.7 REDUCTION IN INSTALLMENT
30 PAYMENTS -- REPAYMENT OF MORTGAGE DEBT.

31 1. If the mortgagee or its assignee and the mortgagor
32 agree, any installment payment of either the loan proceeds or
33 an annuity purchased with the loan proceeds of a reverse
34 annuity mortgage loan may be reduced by an amount used for
35 partial repayment of the mortgage debt, except as provided in

1 subsection 2 of this section.

2 a. Notwithstanding any such reduction, each mortgagor
3 shall receive a cash payment in each installment for the term
4 of the annuity or, if no annuity, for the term during which
5 the mortgagee contracted with the mortgagor to advance the
6 loan proceeds.

3747 b. No repayments of any part of the mortgage debt shall be
8 required from the mortgagor after termination of the period
9 during which loan proceeds or any annuity purchased with the
10 loan proceeds are advanced to the mortgagor.

11 2. If the mortgagee or its assignee and the mortgagor
12 agree, and at the option of the mortgagee, advances under a
13 reverse annuity mortgage loan may terminate and the entire
14 unpaid balance of the loan plus accrued interest may become
15 due and payable upon the occurrence of any of the following
16 events:

17 a. The death of the last surviving mortgagor.

18 b. The sale or other transfer of the real estate securing
19 the loan to a person other than any of the original
20 mortgagors.

21 c. Any other occurrence which materially decreases the
22 value of the property securing the loan or which will have the
23 likely effect of causing the loan not to be repaid. Any such
24 additional occurrence shall be clearly described in the

37425 mortgage deed.

26 Sec. 8. NEW SECTION. 528.8 INTEREST ON GRADUATED PAYMENT
27 MORTGAGE LOANS.

28 A graduated payment mortgage loan offered or made by a
29 financial institution shall provide for interest at a
30 specified rate or a series of specified rates.

31 Sec. 9. NEW SECTION. 528.9 RULES.

32 The administrator may adopt rules pursuant to chapter 17A,
33 as the administrator deems necessary and convenient to carry
34 out the provisions of this chapter.

35 Sec. 10. NEW SECTION. 220.140 RESIDENTIAL REVERSE ANNUITY

1 MORTGAGE MODEL PROGRAM.

2 The authority shall develop a model reverse annuity
3 mortgage plan conforming to the requirements of this chapter,
4 and shall offer reverse annuity mortgages to qualified
5 participants.

6 Sec. 11. The Iowa finance authority is authorized to issue
7 up to two million dollars in bonds for the residential reverse
8 annuity mortgage model program established in section 220.140,
9 to be repaid from the proceeds of the program.

10

EXPLANATION

11 This bill specifically authorizes reverse annuity mortgages
12 and graduated payment mortgages, and provides a regulatory
13 structure and standards. The Iowa finance authority is
14 authorized to issue two million dollars in bonds to fund a
15 model reverse annuity mortgage program for qualified
16 participants, to be repaid from the proceeds of the program.

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SENATE FILE 361

S-3794

Amend Senate File 361 as follows:

1. Page 1, line 21, by striking the word "designed" and inserting the following: "scheduled".
2. Page 1, by striking lines 27 through 31, and inserting the following:
 6. "Reverse annuity mortgage loan" means a mortgage loan in which either the loan proceeds are used to purchase an annuity with the annuity proceeds to be advanced to the mortgagors, or the loan proceeds are directly advanced to the mortgagors, in ten or more installments, either directly or indirectly, and which together with unpaid interest, if any, are to be repaid in accordance with section 528.7."
3. Page 2, by striking lines 16 and 17, and inserting the following: "instrument evidencing an alternative mortgage loan shall not contain a".
4. Page 2, by striking lines 21 through 28, and inserting the following:
 1. A financial institution that offers or makes an alternative mortgage loan shall include in any disclosure of the rates or availability of mortgage loans, the rates and availability of reverse annuity mortgages or graduated payment mortgage loans, if and when such loans are offered. The administrator may".
5. Page 3, line 7, by striking the word "deed" and inserting the following: "instrument".
6. Page 3, line 10, by striking the word "deed" and inserting the following: "instrument".
7. Page 4, line 7, by striking the word "No" and inserting the following: "Except as provided in subsection 2, no".
8. Page 4, line 25, by striking the words "mortgage deed" and inserting the following: "note or mortgage instrument".

By MICHAEL E. GRONSTAL

S-3794 FILED APRIL 19, 1989

Adopted 4-20-89 (p. 1579)

SENATE FILE 362

S-3296

1 Amend Senate File 362 as follows:

2 1. Page 13, line 32, by inserting after the word
3 "subsection" the following: "and minus thirteen
4 dollars".

5 2. By striking page 17, line 24, through page 18,
6 line 7, and inserting the following:

7 "For the budget year beginning July 1, 1993, the
8 regular program district cost per pupil is the regular
9 program state cost per pupil for that budget year,
10 calculated under section 257.9, subsection 4."

By JOY CORNING

S-3296 FILED MARCH 16, 1989

ADOPTED 3-16-89 (p. 87)

Motion to reconsider 3-22-89 (p. 967)

SENATE FILE 362

S-3319

1 Amend Senate File 362 as follows:

2 1. Page 38, by inserting after line 23 the
3 following:

4 "Sec. 423. NEW SECTION. 257.22A DISASTER
5 ASSISTANCE PAYMENTS.

6 A resident of a school district located in a county
7 in which the governor has proclaimed a state of
8 disaster emergency under section 29C.6 who submits
9 proof to the school budget review committee that
10 seventy percent or more of the resident's income
11 producing assets for a calendar year have been
12 destroyed by the disaster may apply to the school
13 budget review committee for payment of property taxes
14 due for the next following budget year in an amount
15 equal to the rate of the sum of the foundation levy
16 and the additional property tax levy multiplied by the
17 assessed valuation of the agricultural or commercial
18 property owned by the taxpayer in that school
19 district.

20 If the school budget review committee approves the
21 payment of the property taxes under this section, the
22 committee shall transmit the payment to the
23 appropriate county treasurer.

24 There is appropriated from the general fund of the
25 state for each fiscal year to the school budget review
26 committee an amount necessary to make the property tax
27 payments under this section."

28 2. Page 90, line 13, by striking the word and
29 figure "and 114" and inserting the following: "114,
30 and 423".

31 3. By renumbering as necessary.

By LEONARD BOSWELL

S-3319 FILED MARCH 20, 1989

SENATE FILE 362

S-3308

1 Amend Senate File 362 as follows:

2 1. By striking page 24, line 35, through page 26,
3 line 8.

4 2. By renumbering as necessary.

By WALLY HORN

JOY CORNING

S-3308 FILED MARCH 20, 1989

**SENATE FILE 361
FISCAL NOTE**

A fiscal note for **SENATE FILE 361** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 361 provides for financial institutions to offer reverse annuity mortgages and provides for a regulatory structure and standards. The Bill requires an institution extending an alternative mortgage loan to submit to the administrator for that type of institution for approval of the prototype plan.

The Bill provides for the Iowa Finance Authority to issue up to 2 million dollars in bonds for the Residential Reverse Annuity Mortgage Model Program established in Section 220.140, to be repaid from the proceeds of the Program.

ASSUMPTIONS:

1. Additional personnel will be needed to run the Program.
2. Information received from banking institutions.

FISCAL IMPACT:

<u>Revenue</u>	FY 1990
Bond Issuance	\$2,000,000
 <u>Expenditure</u>	
Salaries	\$ 25,000
Support	10,000
Interest Buy Down	350,000
Mortgage Loans	<u>1,615,000</u>
Total	<u>\$2,000,000</u>

Source: Iowa Finance Authority

(LSB 4172xs, KNM)

FILED APRIL 3, 1989

BY DENNIS PROUTY, FISCAL DIRECTOR

1 Section 1. NEW SECTION. 528.1 TITLE.

2 This chapter is entitled "Alternative and Reverse Annuity
3 Mortgage Loan Act".

4 Sec. 2. NEW SECTION. 528.2 DEFINITIONS.

5 As used in this chapter, unless the context otherwise
6 requires:

7 1. "Administrator" means the superintendent of banking,
8 the superintendent of savings and loan associations, and the
9 superintendent of credit unions within the department of
10 commerce.

11 2. "Alternative mortgage loan" means a mortgage loan which
12 is a reverse annuity mortgage loan or graduated payment
13 mortgage loan.

4336 14 3. "Financial institution" means a bank incorporated under
15 chapter 524 or federal law, a savings and loan association
16 incorporated under chapter 534 or federal law, a credit union
17 organized under chapter 533 or federal law, and a corporation
18 licensed as an industrial loan company under chapter 536A.

19 4. "Graduated payment mortgage loan" means a mortgage loan
20 in which principal and interest payments, if any, and the
21 making of additional advances, if any, are scheduled to
22 reflect the prospective increasing or decreasing income of the
23 mortgagor.

24 5. "Mortgage loan" means a loan secured by a first
25 mortgage on one, two, three, or four family, owner-occupied
26 residential real property.

27 6. "Reverse annuity mortgage loan" means a mortgage loan
28 in which either the loan proceeds are used to purchase an
29 annuity with the annuity proceeds to be advanced to the
30 mortgagors, or the loan proceeds are directly advanced to the
31 mortgagors, in ten or more installments, either directly or
32 indirectly, and which together with unpaid interest, if any,
33 are to be repaid in accordance with section 528.7.

34 Sec. 3. NEW SECTION. 528.3 FINANCIAL INSTITUTIONS
35 ALLOWED TO MAKE ALTERNATIVE MORTGAGES.

1 A financial institution may make alternative mortgage loans
2 in accordance with this chapter. General provisions governing
3 a financial institution's mortgage loans apply to alternative
4 mortgage loans unless inconsistent with the provisions of this
5 chapter. This chapter does not prohibit a financial
6 institution from making any loan which is not an alternative
7 mortgage loan, provided such loan otherwise complies with
8 applicable laws.

9 Sec. 4. NEW SECTION. 528.4 PREPAYMENT PENALTY
10 PROHIBITED.

11 A financial institution making an alternative mortgage loan
12 may contract with the mortgagor for interest to be paid
13 currently or to accrue, and if accrued, for accrued interest
14 to be added to the mortgage debt on which interest may be
15 charged and collected. Accrued interest which is added to the
16 mortgage debt shall be secured by the mortgage to the same
17 extent as the principal of the alternative mortgage loan. An
18 instrument evidencing an alternative mortgage loan shall not
19 contain a provision imposing a penalty for prepayment of the
20 loan.

21 Sec. 5. NEW SECTION. 528.5 DISCLOSURE OF ALTERNATIVE
22 MORTGAGE LOAN INFORMATION TO APPLICANTS.

23 1. A financial institution that offers or makes an
24 alternative mortgage loan shall include in any disclosure of
25 the rates or availability of mortgage loans, the rates and
26 availability of reverse annuity mortgages or graduated payment
27 mortgage loans, if and when such loans are offered. The
28 administrator may prescribe by rule forms for the required
29 disclosures.

30 2. A prospective mortgage loan applicant shall have the
31 choice of applying for a mortgage loan or any type of
32 alternative mortgage loan offered by the financial
33 institution.

34 Sec. 6. NEW SECTION. 528.6 PROTOTYPE PLAN FOR
35 ALTERNATIVE MORTGAGE LOANS -- APPROVAL BY ADMINISTRATOR.

1 1. Before a financial institution makes an alternative
2 mortgage loan, it shall submit to the administrator for that
3 type of institution, for the administrator's approval, the
4 prototype plan and subsequent amendments to the plan under
5 which alternative mortgage loans are to be made. A plan
6 submitted shall include a copy of the form of note and
7 mortgage instrument that will be used for that type of
8 alternative mortgage loan, a detailed description of how the
9 plan will function, and other information as the administrator
10 requires. The administrator shall specifically review the
11 mortgage instrument submitted as part of the plan to ensure
12 that any default provisions included in the deed pursuant to
13 section 528.7, subsection 2, paragraph "c", are necessary to
14 protect the interests of the mortgagee and are fair and
15 equitable for the mortgagor.

16 2. The administrator may approve any plan and amendment to
17 a plan that in the administrator's opinion serves the best
18 interests of prospective mortgagors and mortgagees. The
19 administrator's considerations shall include, without
20 limitation, the flexibility of each plan to serve the
21 differing needs of various persons who may apply for an
22 alternative mortgage loan under the plan.

23 3. If the administrator approves the plan or amendment,
24 the financial institution may make alternative mortgage loans
25 in accordance with the approved plan and any approved
26 amendments.

27 4. This section applies to all alternative mortgage loans
28 made on or after January 1, 1990.

29 Sec. 7. NEW SECTION. 528.7 REDUCTION IN INSTALLMENT
30 PAYMENTS -- REPAYMENT OF MORTGAGE DEBT.

31 1. If the mortgagee or its assignee and the mortgagor
32 agree, any installment payment of either the loan proceeds or
33 an annuity purchased with the loan proceeds of a reverse
34 annuity mortgage loan may be reduced by an amount used for
35 partial repayment of the mortgage debt, except as provided in

1 subsection 2 of this section.

2 a. Notwithstanding any such reduction, each mortgagor
3 shall receive a cash payment in each installment for the term
4 of the annuity or, if no annuity, for the term during which
5 the mortgage contracted with the mortgagor to advance the
6 loan proceeds.

7 b. Except as provided in subsection 2, no repayments of
8 any part of the mortgage debt shall be required from the
9 mortgagor after termination of the period during which loan
10 proceeds or any annuity purchased with the loan proceeds are
11 advanced to the mortgagor.

12 2. If the mortgagee or its assignee and the mortgagor
13 agree, and at the option of the mortgagee, advances under a
14 reverse annuity mortgage loan may terminate and the entire
15 unpaid balance of the loan plus accrued interest may become
16 due and payable upon the occurrence of any of the following
17 events:

18 a. The death of the last surviving mortgagor.

19 b. The sale or other transfer of the real estate securing
20 the loan to a person other than any of the original
21 mortgagors.

22 c. Any other occurrence which materially decreases the
23 value of the property securing the loan or which will have the
24 likely effect of causing the loan not to be repaid. Any such
25 additional occurrence shall be clearly described in the note
26 or mortgage instrument.

27 Sec. 8. NEW SECTION. 528.8 INTEREST ON GRADUATED PAYMENT
28 MORTGAGE LOANS.

29 A graduated payment mortgage loan offered or made by a
30 financial institution shall provide for interest at a
31 specified rate or a series of specified rates.

32 Sec. 9. NEW SECTION. 528.9 RULES.

33 The administrator may adopt rules pursuant to chapter 17A,
34 as the administrator deems necessary and convenient to carry
35 out the provisions of this chapter.

1 Sec. 10. NEW SECTION. 220.140 RESIDENTIAL REVERSE ANNUITY
2 MORTGAGE MODEL PROGRAM.

3 The authority shall develop a model reverse annuity
4 mortgage plan conforming to the requirements of this chapter,
5 and shall offer reverse annuity mortgages to qualified
6 participants.

7 Sec. 11. The Iowa finance authority is authorized to issue
8 up to two million dollars in bonds for the residential reverse
9 annuity mortgage model program established in section 220.140,
10 to be repaid from the proceeds of the program.

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HOUSE AMENDMENT TO
SENATE FILE 361

S-4170

- 1 Amend Senate File 361, as amended, passed, and
2 reprinted by the Senate, as follows:
- 3 1. Page 1, by striking lines 14 through 18 and
4 inserting the following:
5 "3. "Financial institution" means financial
6 institution as defined in section 535A.1."
7 2. Page 3, line 15, by inserting after the word
8 "mortgagor." the following: "A reverse annuity
9 mortgage shall provide that the mortgagor or
10 mortgagors of the property shall retain a life estate
11 in the property until the death of the mortgagor or
12 all of the mortgagors, notwithstanding that the
13 annuity may expire prior to the end of the life
14 estate, depending upon the terms of the annuity."
15 3. Page 5, line 4, by striking the word "plan".
16 4. Page 5, line 8, by striking the words "up to
17 two million dollars in".
18 5. By renumbering, relettering, or redesignating
19 and correcting internal references as necessary.

RECEIVED FROM THE HOUSE

S-4170 FILED MAY 6, 1989

ADOPTED (p. 2051)

SENATE FILE 361

H-4336

- 1 Amend Senate File 361, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 1, by striking lines 14 through 18 and
- 4 inserting the following:
- 5 "3. "Financial institution" means financial
- 6 institution as defined in section 535A.1."

By METCALF of Polk
HIBBARD of Madison

H-4336 FILED APRIL 28, 1989

adopted 5-5-89 (p. 2515)

SENATE FILE 361

H-4448

- 1 Amend Senate File 361, as amended, passed, and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 3, line 15, by inserting after the word
- 4 "mortgagor." the following: "A reverse annuity
- 5 mortgage shall provide that the mortgagor or
- 6 mortgagors of the property shall retain a life estate
- 7 in the property until the death of the mortgagor or
- 8 all of the mortgagors, notwithstanding that the
- 9 annuity may expire prior to the end of the life
- 10 estate, depending upon the terms of the annuity."
- 11 2. Page 5, line 4, by striking the word "plan".
- 12 3. Page 5, line 8, by striking the words "up to
- 13 two million dollars in".

By HIBBARD of Madison
ROSENBERG of Story

H-4448 FILED MAY 4, 1989

adopted 5-5-89 (p. 2515)

SENATE FILE 361

AN ACT

RELATING TO REVERSE ANNUITY AND GRADUATED PAYMENT MORTGAGES,
BY PROVIDING FOR THEIR REGULATION BY THE ADMINISTRATORS
OF THE DIVISIONS OF BANKING, SAVINGS AND LOAN ASSOCIATIONS,
AND CREDIT UNIONS, OF THE DEPARTMENT OF COMMERCE, AND
IMPOSING CERTAIN STANDARDS AND RESTRICTIONS.

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

Section 1. NEW SECTION. 528.1 TITLE.

This chapter is entitled "Alternative and Reverse Annuity
Mortgage Loan Act".

Sec. 2. NEW SECTION. 528.2 DEFINITIONS.

As used in this chapter, unless the context otherwise
requires:

1. "Administrator" means the superintendent of banking,
the superintendent of savings and loan associations, and the
superintendent of credit unions within the department of
commerce.

2. "Alternative mortgage loan" means a mortgage loan which
is a reverse annuity mortgage loan or graduated payment
mortgage loan.

3. "Financial institution" means financial institution as
defined in section 535A.1.

4. "Graduated payment mortgage loan" means a mortgage loan
in which principal and interest payments, if any, and the
making of additional advances, if any, are scheduled to
reflect the prospective increasing or decreasing income of the
mortgagor.

5. "Mortgage loan" means a loan secured by a first
mortgage on one, two, three, or four family, owner-occupied
residential real property.

6. "Reverse annuity mortgage loan" means a mortgage loan
in which either the loan proceeds are used to purchase an
annuity with the annuity proceeds to be advanced to the
mortgagors, or the loan proceeds are directly advanced to the
mortgagors, in ten or more installments, either directly or
indirectly, and which together with unpaid interest, if any,
are to be repaid in accordance with section 528.7.

Sec. 3. NEW SECTION. 528.3 FINANCIAL INSTITUTIONS
ALLOWED TO MAKE ALTERNATIVE MORTGAGES.

A financial institution may make alternative mortgage loans
in accordance with this chapter. General provisions governing
a financial institution's mortgage loans apply to alternative
mortgage loans unless inconsistent with the provisions of this
chapter. This chapter does not prohibit a financial
institution from making any loan which is not an alternative
mortgage loan, provided such loan otherwise complies with
applicable laws.

Sec. 4. NEW SECTION. 528.4 PREPAYMENT PENALTY
PROHIBITED.

A financial institution making an alternative mortgage loan
may contract with the mortgagor for interest to be paid
currently or to accrue, and if accrued, for accrued interest

to be added to the mortgage debt on which interest may be charged and collected. Accrued interest which is added to the mortgage debt shall be secured by the mortgage to the same extent as the principal of the alternative mortgage loan. An instrument evidencing an alternative mortgage loan shall not contain a provision imposing a penalty for prepayment of the loan.

Sec. 5. NEW SECTION. 528.5 DISCLOSURE OF ALTERNATIVE MORTGAGE LOAN INFORMATION TO APPLICANTS.

1. A financial institution that offers or makes an alternative mortgage loan shall include in any disclosure of the rates or availability of mortgage loans, the rates and availability of reverse annuity mortgages or graduated payment mortgage loans, if and when such loans are offered. The administrator may prescribe by rule forms for the required disclosures.

2. A prospective mortgage loan applicant shall have the choice of applying for a mortgage loan or any type of alternative mortgage loan offered by the financial institution.

Sec. 6. NEW SECTION. 528.6 PROTOTYPE PLAN FOR ALTERNATIVE MORTGAGE LOANS -- APPROVAL BY ADMINISTRATOR.

1. Before a financial institution makes an alternative mortgage loan, it shall submit to the administrator for that type of institution, for the administrator's approval, the prototype plan and subsequent amendments to the plan under which alternative mortgage loans are to be made. A plan submitted shall include a copy of the form of note and mortgage instrument that will be used for that type of alternative mortgage loan, a detailed description of how the plan will function, and other information as the administrator requires. The administrator shall specifically review the mortgage instrument submitted as part of the plan to ensure that any default provisions included in the deed pursuant to section 528.7, subsection 2, paragraph "c", are necessary to

protect the interests of the mortgagee and are fair and equitable for the mortgagor. A reverse annuity mortgage shall provide that the mortgagor or mortgagors of the property shall retain a life estate in the property until the death of the mortgagor or all of the mortgagors, notwithstanding that the annuity may expire prior to the end of the life estate, depending upon the terms of the annuity.

2. The administrator may approve any plan and amendment to a plan that in the administrator's opinion serves the best interests of prospective mortgagors and mortgagees. The administrator's considerations shall include, without limitation, the flexibility of each plan to serve the differing needs of various persons who may apply for an alternative mortgage loan under the plan.

3. If the administrator approves the plan or amendment, the financial institution may make alternative mortgage loans in accordance with the approved plan and any approved amendments.

4. This section applies to all alternative mortgage loans made on or after January 1, 1990.

Sec. 7. NEW SECTION. 528.7 REDUCTION IN INSTALLMENT PAYMENTS -- REPAYMENT OF MORTGAGE DEBT.

1. If the mortgagee or its assignee and the mortgagor agree, any installment payment of either the loan proceeds or an annuity purchased with the loan proceeds of a reverse annuity mortgage loan may be reduced by an amount used for partial repayment of the mortgage debt, except as provided in subsection 2 of this section.

a. Notwithstanding any such reduction, each mortgagor shall receive a cash payment in each installment for the term of the annuity or, if no annuity, for the term during which the mortgagee contracted with the mortgagor to advance the loan proceeds.

b. Except as provided in subsection 2, no repayments of any part of the mortgage debt shall be required from the

mortgagor after termination of the period during which loan proceeds or any annuity purchased with the loan proceeds are advanced to the mortgagor.

2. If the mortgagee or its assignee and the mortgagor agree, and at the option of the mortgagee, advances under a reverse annuity mortgage loan may terminate and the entire unpaid balance of the loan plus accrued interest may become due and payable upon the occurrence of any of the following events:

- a. The death of the last surviving mortgagor.
- b. The sale or other transfer of the real estate securing the loan to a person other than any of the original mortgagors.
- c. Any other occurrence which materially decreases the value of the property securing the loan or which will have the likely effect of causing the loan not to be repaid. Any such additional occurrence shall be clearly described in the note or mortgage instrument.

Sec. 8. NEW SECTION. 528.8 INTEREST ON GRADUATED PAYMENT MORTGAGE LOANS.

A graduated payment mortgage loan offered or made by a financial institution shall provide for interest at a specified rate or a series of specified rates.

Sec. 9. NEW SECTION. 528.9 RULES.

The administrator may adopt rules pursuant to chapter 17A, as the administrator deems necessary and convenient to carry out the provisions of this chapter.

Sec. 10. NEW SECTION. 220.140 RESIDENTIAL REVERSE ANNUITY MORTGAGE MODEL PROGRAM.

The authority shall develop a model reverse annuity mortgage conforming to the requirements of this chapter, and shall offer reverse annuity mortgages to qualified participants.

Sec. 11. The Iowa finance authority is authorized to issue bonds for the residential reverse annuity mortgage model

program established in section 220.140, to be repaid from the proceeds of the program.

JO ANN ZIMMERMAN
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 361, Seventy-third General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved *May 31*, 1989

TERRY E. BRANSTAD
Governor