

### **534.205 Required real estate loan practices.**

Real estate loans must meet the following requirements:

1. *Appraisal.* A qualified person shall conduct an inspection of the property securing the loan and submit a signed appraisal of the market value of that property. However, an appraisal is only required if the loan is secured by a first lien. An appraisal must conform to the standards promulgated by the federal office of thrift supervision as mandated by Title XI of the federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

2. *Note.* A note shall be signed by the borrower and delivered to the association.

3. *Lien.* The loan shall be secured by a mortgage, deed of trust or similar instrument constituting a lien or claim upon real estate. Such instrument shall provide for the full protection of the association in the event of default.

4. *Payment terms.* The loan shall provide for repayment upon those terms set forth in the note signed by the borrower.

5. *Loan settlement statement.* The borrower shall receive a statement setting forth in detail the charges and fees the borrower has paid or is obligated to pay in connection with the loan.

6. *Balloon payments.* An association shall mail to the borrower an offer to refinance a balloon payment under a loan at least twenty days before the balloon payment date if at that time no payments under the loan are delinquent. The offer shall be at an interest rate no greater than one percent per annum above the index rate and with monthly payments no greater than those necessary to fully amortize the amount of the balloon payment plus interest over a term which, when added together with the term representing the number of monthly payments made before the most recent notice to refinance, is not less than the original loan term. The association must offer to the borrower a term of at least one year before the next balloon payment. If the balloon payment is due one month after the preceding monthly payment date, the association may require the borrower to make a payment equal to the preceding monthly payment on the balloon payment date if the first payment under the note to refinance the balloon note is one month after the balloon payment date. The association may offer repayment plans to refinance a balloon payment in addition to the plan required by [this subsection](#). For purposes of [this subsection](#), “*loan*” means the same as defined in [section 535.8, subsection 1](#); “*balloon payment*” means a payment which is more than three times as big as the mean average of the payments which precede it; and “*index rate*” means the national average mortgage contract rate for major lenders on the purchase of previously occupied homes which is most recently published in final form by the federal housing finance board not more than four months before the date on which the balloon payment is due, or, alternatively, a rate based upon any other independently verifiable index approved by the superintendent.

[C97, §1899; S13, §1899-a; C24, 27, 31, §9340, 9341; C35, §9340, 9340-b1, 9341; C39, §9340.01, 9340.04 – 9340.06, 9340.08, 9340.09, 9340.14; C46, 50, 54, 58, §534.25, 534.28 – 534.30, 534.32, 534.33, 534.38; C62, 66, 71, 73, 75, §534.21; C77, 79, §534.21, 534.72; S79, §534.21; C81, §534.21, 534.72; 82 Acts, ch 1253, §23]

C83, §534.79

84 Acts, ch 1112, §7

C85, §534.205

90 Acts, ch 1208, §5; 91 Acts, ch 92, §7; 2007 Acts, ch 88, §26