CHAPTER 535A

MORTGAGE LOANS — RED-LINING

Referred to in §535B.7, §535D.13, §669.14

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535A.1 Definitions.

For purposes of this chapter, unless the context otherwise requires:

1. *"Financial institution"* means any bank, credit union, insurance company, mortgage banking company or savings and loan association, industrial loan company, or like institution or any other person who makes mortgage loans and which operates or has a place of business in this state. *"Financial institution"* does not include an individual who makes less than five mortgage loans a year.

2. *"Mortgage loan"* means a loan for the purchase, construction, improvement, or rehabilitation of residential property containing or to contain four or fewer family dwelling units in which the property is used as security for the loan.

3. *"Red-lining"* means the practice by which a financial institution may designate certain areas as unsuitable for the making of mortgage loans and reject applications for mortgage loans or vary the terms of a mortgage loan upon property within that area because of the prevailing income, racial, or ethnic characteristics of the area, or because of the age of the structures in the area.

4. *"Vary the terms of a mortgage loan"* includes but is not limited to the following:

a. Requiring a greater than average down payment than is usual for the particular type of mortgage loan involved.

b. Requiring a shorter period of amortization than is usual for the particular type of mortgage loan involved.

c. Charging a higher interest rate or higher loan origination fees than is usual for the particular type of mortgage loan involved.

d. An unreasonable underappraisal of real estate or item of property offered as security.

[C79, 81, §535A.1; 81 Acts, ch 174, §4, 5]
85 Acts, ch 238, §1; 2010 Acts, ch 1114, §1
Referred to in §528.2, §535A.2, §535A.6

535A.2 Discriminatory — real estate mortgages.

1. It is a discriminatory practice for any financial institution accepting mortgage loan applications to engage in the practice of red-lining as defined in section 535A.1.

2. This section shall be administered and enforced by the following agencies:

a. The superintendent of banking or the superintendent's designee in regard to banks, persons licensed under chapter 536A, and mortgage banking companies.

b. The commissioner of insurance or the commissioner's designee pursuant to chapter 505 in regard to all insurance companies.

c. The superintendent of credit unions or the superintendent's designee in regard to all credit unions.

[C79, 81, §535A.2]
2010 Acts, ch 1114, §2; 2012 Acts, ch 1017, §134
Referred to in §535A.6, §535A.7

535A.3 Discretion of financial institution.

Nothing contained in this chapter shall preclude a financial institution from applying economically sound underwriting practices in contemplation of any mortgage loan to any person. Such practices shall include but are not limited to the following:

1. The willingness and the financial ability of the borrower to repay the mortgage loan.
2. The appraised value of any real estate or other item of property proposed as security for any mortgage loan.
3. Diversification of the financial institution's investment portfolio.

[C79, 81, §535A.3]
Referred to in §535A.6

535A.4 and 535A.5 Repealed by 2010 Acts, ch 1114, §5.

535A.6 Action for damages.

1. Any person who has been aggrieved as a result of a violation of sections 535A.1 through 535A.3, this section, or sections 535A.7 through 535A.9 may bring an action in the district court of the county in which the violation occurred or in the county where the financial institution involved is located.
2. Upon a finding that a financial institution has committed a violation of either section 535A.2 or 535A.9, the court may award actual damages, court costs, and attorney fees.

[C79, 81, §535A.6]
85 Acts, ch 238, §2; 2010 Acts, ch 1114, §3; 2011 Acts, ch 25, §66
Referred to in §535A.8

535A.7 Criminal penalty.

Any person who knowingly engages in a practice which violates the provisions of section 535A.2 or 535A.9 is guilty of a serious misdemeanor.

[C79, 81, §535A.7]
85 Acts, ch 238, §3; 2010 Acts, ch 1114, §4
Referred to in §535A.6

535A.8 Civil penalty.

Any person who in bad faith fails to comply with the provisions of this chapter is subject to punitive damages not to exceed one thousand dollars in addition to actual damages as set forth in section 535A.6.

[C79, 81, §535A.8]
Referred to in §535A.6

535A.9 Tying arrangements prohibited.

1. A financial institution which makes or offers to make real estate mortgage loans shall not:

a. Grant or offer to grant a loan on the prior condition, that the borrower is required to contract with any specific person or organization for either of the following:

(1) Services of a real estate agent or broker.
(2) Insurance services as an agent, broker, or underwriter.

b. Use confidential credit status information that is used for qualifying a person for the purchase of real property for solicitation purposes either directly or indirectly by an affiliate subsidiary.

c. Attempt or permit a real estate or insurance subsidiary to attempt to create the impression in its advertising or in any communication that the customers of the subsidiary shall have priority access to the funds of the financial institution or are entitled to preferential interest rates or other terms.

2. This section does not apply to the Iowa finance authority or a program operated pursuant to chapter 16.

85 Acts, ch 238, §4; 85 Acts, ch 252, §56
Referred to in §535A.6, §535A.7

535A.10 and 535A.11 Reserved.

535A.12 Repealed by 88 Acts, ch 1145, §6.