

535.8 Loan charges limited.

1. *Definitions.* For purposes of [this section](#), unless the context otherwise requires:

a. “*Lender*” means a person who makes or originates a loan; a person who is identified as a lender on the loan documents; a person who arranges, negotiates, or brokers a loan; and a person who provides any goods or services as an incident to or as a condition required for the making or closing of the loan. “*Lender*” does not include a licensed attorney admitted to practice in this state acting solely as an incident to the practice of law.

b. “*Loan*” means a loan of money which is wholly or in part to be used for the purpose of purchasing real property which is a single-family or two-family dwelling occupied or to be occupied by the borrower. A loan includes the refinancing of a contract of sale, and the refinancing of a prior loan, whether or not the borrower also was the borrower under the prior loan, and the assumption of a prior loan.

c. “*Points and fees*” means the fees and charges that are included in the definition of points and fees in [12 C.F.R. §1026.32\(b\)\(1\)](#).

2. If a lender that is a financial institution as defined in [section 537.1301](#) makes a loan in which the points and fees the borrower is charged by all lenders in connection with the loan do not exceed the amounts specified in [12 C.F.R. §1026.43\(e\)\(3\)](#), the loan shall not be subject to the provisions of [subsection 4](#), paragraphs “a”, “b”, and “d”, or [subsection 5](#). If a lender that is a mortgage banker licensed under [section 535B.5](#) or registered under [section 535B.3](#) makes a loan in which the points and fees the borrower is charged by all lenders in connection with the loan do not exceed the amounts specified in [12 C.F.R. §1026.43\(e\)\(3\)](#), the loan shall not be subject to the provisions of [subsection 5](#). [This subsection](#) applies to the financial institution lender that originates the loan and to subsequent purchasers of the loan originated by the financial institution.

3. [This section](#) shall not be construed to change the prohibition against the sale of title insurance or sale of insurance against loss or damage by reason of defective title or encumbrances as provided in [section 515.48, subsection 10](#).

4. a. A borrower may be charged by a lender, in connection with a loan made pursuant to a written agreement executed by the borrower on or after July 1, 1983, 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 origination or processing fee, a broker fee, or both, which together do 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 borrower may be charged by a lender a loan origination or processing fee, a broker fee, or both, which together do 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 borrower may be charged by a lender, 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 borrower. A loan fee paid by a borrower to a lender 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](#). A lender is prohibited from charging a borrower in connection with a loan a loan origination or processing fee, broker fee, closing fee, commitment fee, or similar charge other than expressly authorized by this paragraph or a payment reduction fee authorized by [subsection 5](#).

b. (1) A borrower may be charged by a lender in connection with a loan any of the following costs which are incurred by the lender in connection with the loan and which are disclosed to the borrower:

(a) Credit reports.

(b) Appraisal fees paid to a third party, or when the appraisal is performed by the lender, a fee which is a reasonable estimate of the expense incurred by the lender in performing the appraisal.

(c) Attorney's opinions.

(d) Abstracting fees paid to a third party, or when the abstracting is performed by the lender, a fee which is a reasonable estimate of the expense incurred by the lender in performing the abstracting.

(e) County recorder's fees.

(f) Inspection fees.

(g) Mortgage guarantee insurance charge.

(h) Surveying of property.

(i) Termite inspection.

(j) The cost of a title guaranty issued by the Iowa finance authority pursuant to [chapter 16](#).

(k) A bona fide and reasonable settlement or closing fee which is paid to a third party to settle or close the loan.

(2) The lender shall not charge the borrower for the cost of revenue stamps or real estate commissions which are paid by the seller.

(3) A lender shall not charge the borrower any costs other than expressly permitted by this paragraph "b". However, additional costs incurred in connection with a loan under this paragraph "b", if bona fide and reasonable, may be collected by a state-chartered financial institution licensed under [chapter 524](#) or [533](#), to the extent permitted under applicable federal law as determined by the office of the comptroller of the currency of the United States department of treasury, the national credit union administration, or the office of thrift supervision of the United States department of treasury. Such costs shall apply only to the same type of state-chartered entity as the federally chartered entity affected and shall apply to and may be collected by an insurer organized under [chapter 508](#) or [515](#), or otherwise authorized to conduct the business of insurance in this state.

c. If the purpose of the loan is to enable the borrower to purchase a single-family or two-family dwelling, for the borrower's residence, any provision of a loan agreement which prohibits the borrower from transferring the borrower's interest in the property to a third party for use by the third party as the third party's residence, or any provision which requires or permits the lender to make a change in the interest rate, the repayment schedule or the term of the loan as a result of a transfer by the borrower of the borrower's interest in the property to a third party for use by the third party as the third party's residence shall not be enforceable except as provided in the following sentence. If the lender on reasonable grounds believes that its security interest or the likelihood of repayment is impaired, based solely on criteria which is not more restrictive than that used to evaluate a new mortgage loan application, the lender may accelerate the loan, or to offset any such impairment, may adjust the interest rate, the repayment schedule or the term of the loan. A provision of a loan agreement which violates this paragraph is void.

d. If a lender collects a fee or charge which is prohibited by paragraph "a" or "b" of [this subsection](#) or which exceeds the amount permitted by paragraph "a" or "b" of [this subsection](#), the person from whom the fee was collected has the right to recover the unlawful fee or charge or the unlawful portion of the fee or charge, plus attorney fees and costs incurred in any action necessary to effect recovery.

e. (1) Notwithstanding [section 628.3](#) when a foreclosure of a mortgage on real property results from the enforcement of a due-on-sale clause, the mortgagor may redeem the real property at any time within eighteen months from the day of sale under the levy, and the mortgagor shall, in the meantime, be entitled to the possession thereof; and for the first fifteen months thereafter such right of redemption is exclusive. Any real property redeemed by the debtor shall thereafter be free and clear from any liability for any unpaid portion of the judgment under which the real property was sold. The right of redemption established by this paragraph is not subject to waiver by the mortgagor and the period of redemption established by this paragraph shall not be reduced. The times for redemption by creditors provided in [sections 628.5](#), [628.15](#), and [628.16](#) shall be extended to sixteen months in any case in which the mortgagor's period for redemption is extended by this paragraph. This paragraph does not apply to foreclosure of a mortgage if for any reason other than enforcement of a due-on-sale clause. As used in this paragraph, "due-on-sale clause"

means any type of covenant which gives the mortgagee the right to demand payment of the outstanding balance or a major part thereof upon a transfer by the mortgagor to a third party of an interest of the mortgagor in property covered by the mortgage. This paragraph applies to any foreclosure occurring on or after May 10, 1980. However, this paragraph does not apply if the lender establishes, based on reasonable criteria which are not more restrictive than those used to evaluate new mortgage-loan applications, that the security interest or the likelihood of repayment is impaired as a result of the transfer of interest.

(2) This lettered paragraph applies only to a mortgage given in connection with a loan as defined in [subsection 1](#) of [this section](#).

5. A lender who offers to make a loan with only those fees authorized by [subsection 4](#) 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 4](#).

6. A lender shall not, as a condition of making a loan as defined in [this section](#), require the borrower to place money, or to place property other than that which is given as security for the loan, on deposit with or in the possession or control of the lender or some other person if the effect is to increase the yield to the lender with respect to that loan; provided that [this subsection](#) shall not prohibit a lender from requiring the borrower to deposit money without interest with the lender in an escrow account for the payment of insurance premiums, property taxes and special assessments payable by the borrower to third persons. Any lender who requires an escrow account shall not violate the provisions of [section 507B.5](#), [subsection 1](#), paragraph “a”.

7. If any lender receives interest either in a manner or in an amount which is prohibited by [subsection 6](#) of [this section](#), the borrower shall have the right to recover all amounts collected or earned by the lender, whether or not from the borrower, in violation of [this section](#), plus attorney fees, plus court costs incurred in any action necessary to effect such recovery.

8. A lender shall not use an appraisal for any purpose in connection with making a loan under [this section](#) if the appraisal is performed by a person who is employed by or affiliated with any person receiving a commission or fee from the seller of the property. If a lender violates [this subsection](#) the borrower is entitled to recover any actual damages plus the costs paid by the borrower, plus attorney fees incurred in an action necessary to effect recovery.

[C79, S79, C81, §535.8; 81 Acts, ch 176, §1, 2]

83 Acts, ch 124, §19, 20; 85 Acts, ch 252, §39; 2004 Acts, ch 1141, §74; 2004 Acts, ch 1175, §262; 2005 Acts, ch 19, §113, 114; 2008 Acts, ch 1160, §14; 2008 Acts, ch 1191, §79, 80; 2012 Acts, ch 1017, §133; 2014 Acts, ch 1037, §3 – 6; 2018 Acts, ch 1148, §1; 2023 Acts, ch 81, §1

Referred to in §16.18, 524.905, 533.315, 535.2, 535.10, 536A.20, 537.1301, 537.2501

Subsection 2 amended