

**535.9 Prepayment penalties on loans secured by real estate mortgages prohibited.**

1. As used in [this section](#), “*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 a two-family dwelling occupied or to be occupied by the borrower, or which is payable over a term of five years or less for the purpose of purchasing agricultural land. “*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.

2. Whenever a borrower under a loan prepays part or all of the outstanding balance of the loan the lender shall not receive an amount in payment of interest which is greater than the amount determined by applying the rate of interest agreed upon by the lender and the borrower to the unpaid balance of the loan for a period of time during which the borrower had the use of the money loaned; and the lender shall not impose any penalty or other charge in addition to the amount of interest due as a result of the repayment of that loan at a date earlier than is required by the terms of the loan agreement. A lender may, however, require advance notice of not more than thirty days of a borrower’s intent to repay the entire outstanding balance of a loan if the payment of that balance, together with any partial prepayments made previously by the borrower, will result in the repayment of the loan at a date earlier than is required by the terms of the loan agreement.

3. If any lender receives an amount of interest greater than permitted by [subsection 2 of this section](#), or imposes any penalty or other charge prohibited by [subsection 2 of this section](#), the borrower shall have the right to recover all amounts paid the lender which are in excess of the amounts permitted by [subsection 2 of this section](#), plus attorney’s fees and court costs incurred in any action necessary to effect such recovery.

[C79, S79, C81, §535.9]

[2006 Acts, ch 1075, §1](#)

Referred to in [§533.315](#), [535.8](#), [536A.23](#)