

AVAILABILITY OF MORTGAGE LOANS JOINT SUBCOMMITTEE  
OF THE  
STANDING COMMITTEES ON COMMERCE

Report to Members of the  
Second Session of the Sixty-seventh General Assembly

State of Iowa  
1978

## PROGRESS REPORT

### AVAILABILITY OF MORTGAGE LOANS JOINT SUBCOMMITTEE

The Availability of Mortgage Loans Joint Subcommittee of the Senate and House Standing Committees on Commerce was created by the Iowa Legislative Council for the purpose of investigating during the 1977-78 legislative interim the problems encountered in obtaining real estate loans. The Subcommittee was authorized three meetings. The following persons were appointed to the Subcommittee: Senator William D. Palmer, Senator Cloyd Robinson, Senator Stephen W. Bisenius, Representative Ned F. Chiodo, Representative Robert T. Anderson, and Representative Roger A. Halvorson. Representative Chiodo was elected by the Subcommittee to serve as its permanent chairperson.

The members of the Subcommittee agreed to examine two aspects of the mortgage lending industry: The practice of refusing to lend money against real property because of location or "redlining", and the collection by lenders of points from sellers in real estate sale transactions. The Subcommittee also agreed to limit the scope of the study to residential property.

The Subcommittee requested and received commentary from representatives of lending institutions, federal and state agencies which regulate lending institutions, citizens organizations, the Iowa housing finance authority, and persons engaged in the business of real estate sales and real estate appraising. The Subcommittee also reviewed the provisions of House File 218 relating to disclosures by lending institutions, and obtained commentary about federal law and administrative rules which influence the practices of lending institutions. The following legislative proposals, or suggestions about legislative action, were received:

1. Amend the Iowa housing finance authority statutes to allow greater investment of agency funds in existing homes, as opposed to new construction.

2. Repeal usury law applicable to real estate transactions, or increase the rate so that interest rates on residential mortgage loans will be determined by market forces rather than by law.

3. Link the deposits of state funds to those institutions which write loans in inner city or other "redlined" areas.

4. Avoid imposing further recordkeeping and reporting requirements on lenders, particularly where information already is being reported.

5. Assure that all regulated lenders are subject to the same standards and obligations.

6. Do not require that social policy replace prudent business judgment as the basis for loan underwriting.

7. Obtain more information in order to assure that those statistics which presently are being offered as evidence of "redlining" do not in fact indicate lack of loan demand or other factors which are not subject to the control of the lending institutions.

The Subcommittee will not have considered legislative recommendations until its final meeting, which is to be scheduled for the first or second week of January.