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SENATE FILE 201

BY COMMITTEE ON COMMERCE

Approved 2/10/81 (p. 380)

Sub for H.F. 415

Passed Senate, Date 2-16-81 (p. 476) Passed House, Date 2-23-81 (p. 417)

Vote: Ayes 44 Nays 0 Vote: Ayes 86 Nays 0

Approved March 13, 1981

A BILL FOR

1 An Act relating to the conditions and limitations applicable
2 to investments by life insurance companies and associations
3 in indebtedness secured by interests in real property.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 511.8, subsection 9, paragraph a, Code
2 1981, is amended to read as follows:

3 9. REAL ESTATE BONDS AND MORTGAGES.

4 a. Bonds, notes, obligations, or other evidences of
5 indebtedness secured by mortgages or deeds of trust which
6 are a first or second lien upon otherwise unencumbered real
7 property and appurtenances thereto within the United States
8 of America, or any insular or territorial possession of the
9 United States, or the Dominion of Canada, and upon leasehold
10 estates in real property where fifty years or more of the
11 term including renewals is unexpired, provided that at the
12 date of acquisition the total indebtedness secured by ~~such~~
13 the first or second lien shall not exceed ~~seventy-five~~ ninety
14 percent of the value of the property upon which it is a lien.
15 However, a company or organization shall not acquire an
16 indebtedness secured by a first or second lien upon a single
17 parcel of real property, or upon a leasehold interest in a
18 single parcel of real property, in excess of two percent of
19 its legal reserve. These limitations ~~shall~~ do not apply to
20 obligations described in paragraphs "b", "c", "d", "e" and
21 "f" of this subsection.

22 Improvements and appurtenances to real property shall not
23 be considered in estimating the value of the property unless
24 the owner ~~shall contract~~ contracts to keep the same property
25 adequately insured during the life of the loan in some reliable
26 fire insurance ~~company or~~ companies, ~~association or~~
27 associations, the insurance to be made payable in case of
28 loss to the mortgagee, trustee, or ~~assigns~~ assignee as its
29 interest ~~may appear~~ appears at the time of the loss.

30 ~~Provided further that for~~ For the purpose of this subsection
31 a mortgage or deed of trust ~~shall~~ is not be ~~deemed to be~~ other
32 than a first or second lien upon property ~~within the meaning~~
33 ~~of this subsection~~ by reason of the existence of taxes or
34 assessments that are not delinquent, instruments creating
35 or reserving mineral, oil, or timber rights, rights of way,

1 joint driveways, sewer rights, rights in walls or by reason
2 of building restrictions or other like restrictive covenants,
3 or when such the real estate is subject to lease in whole
4 or in part whereby rents or profits are reserved to the owner.

5 EXPLANATION

6 This bill would enable life insurance companies to invest
7 in a mortgage or deed of trust that is a first or second lien
8 on real property in an amount up to ninety percent of the
9 value of the property. The present law, section 511.8,
10 subsection 9, paragraph a, limits such liens to first liens,
11 and not to exceed seventy-five percent of the value of the
12 property. Banks and savings and loan associations are
13 permitted by law to acquire liens on property up to a limit
14 of ninety percent of value, and this bill will allow insurance
15 companies to do the same.

16 The bill also adds a restriction that any indebtedness
17 secured by such a lien upon any one parcel of real property,
18 or upon any one leasehold interest shall not exceed two percent
19 of the insurer's legal reserve. This is similar to the
20 restriction under section 511.8, subsection 8, paragraph b,
21 on investments in securities issued by corporations.

22 The bill would take effect July 1 following enactment:
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SENATE FILE 201

AN ACT

RELATING TO THE CONDITIONS AND LIMITATIONS APPLICABLE TO INVESTMENTS BY LIFE INSURANCE COMPANIES AND ASSOCIATIONS IN INDEBTEDNESS SECURED BY INTERESTS IN REAL PROPERTY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 511.8, subsection 9, paragraph a, Code 1981, is amended to read as follows:

9. REAL ESTATE BONDS AND MORTGAGES.

a. Bonds, notes, obligations, or other evidences of indebtedness secured by mortgages or deeds of trust which are a first or second lien upon otherwise unencumbered real property and appurtenances thereto within the United States of America, or any insular or territorial possession of the United States, or the Dominion of Canada, and upon leasehold estates in real property where fifty years or more of the term including renewals is unexpired, provided that at the date of acquisition the total indebtedness secured by such the first or second lien shall not exceed seventy-five ninety percent of the value of the property upon which it is a lien. However, a company or organization shall not acquire an indebtedness secured by a first or second lien upon a single parcel of real property, or upon a leasehold interest in a single parcel of real property, in excess of two percent of its legal reserve. These limitations shall do not apply to obligations described in paragraphs "b", "c", "d", "e" and "f" of this subsection.

Improvements and appurtenances to real property shall not be considered in estimating the value of the property unless the owner shall contract contracts to keep the same property adequately insured during the life of the loan in some reliable fire insurance company or companies, association or

associations, the insurance to be made payable in case of loss to the mortgagee, trustee, or assignee assignee as its interest may appear appears at the time of the loss.

Provided-further-that-for For the purpose of this subsection a mortgage or deed of trust shall is not be-deemed-to-be other than a first or second lien upon property within-the-meaning of-this-subsection by reason of the existence of taxes or assessments that are not delinquent, instruments creating or reserving mineral, oil, or timber rights, rights of way, joint driveways, sewer rights, rights in walls or by reason of building restrictions or other like restrictive covenants, or when such the real estate is subject to lease in whole or in part whereby rents or profits are reserved to the owner.

TERRY E. BRANSTAD
President of the Senate

DELWYN STROMER
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 201, Sixty-ninth General Assembly.

LINDA HOWARTH MACKAY
Secretary of the Senate

Approved March 13, 1981

ROBERT D. RAY
Governor

S.F. 201