

*Reprinted 4/1/81*

FILED MAR 17 1981

SENATE FILE 425

BY COMMITTEE ON STATE GOVERNMENT

(FORMERLY SSB 277)

Passed Senate, Date 3-31-81 (p. 1035) Passed House, Date \_\_\_\_\_  
Vote: Ayes 50 Nays 0 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

### A BILL FOR

1 An Act relating to the Iowa housing finance authority and  
2 its records, loans, lending practices, and quorum  
3 requirements.

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

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#### SENATE FILE 425

S-3283

1 Amend Senate File 425 as follows:  
2 1. Page 2, by inserting after line 34 the  
3 following:  
4 "Sec. \_\_\_\_ Section 220.38, Code 1981, is amended  
5 by adding the following new subsection:  
6 NEW SUBSECTION. Any sale of a residence securing  
7 a mortgage loan financed by the authority, either  
8 directly or indirectly, must be reported to the authority  
9 by the lender servicing the loan. Failure of a servicing  
10 lender to exercise due diligence in reporting such sales  
11 to the authority may be used by the authority as grounds  
12 for reduction of future bond proceeds allocations or  
13 servicing responsibilities to such servicing lender."

S-3283 FILED & WITHDRAWN  
MARCH 31, 1981 (p. 1032)

BY BILL HUTCHINS

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#### SENATE FILE 425

S-3275

1 Amend Senate File 425 as follows:  
2 1. Page 1, by striking lines 5 through 12.

S-3275 FILED  
MARCH 31, 1981  
WITHDRAWN (p. 1032)

BY GARY L. BAUGHER  
EDGAR H. HOLDEN

1 Section 1. Section 68A.7, Code 1981, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. Mortgage records kept by the Iowa housing  
4 finance authority.

5 Sec. 2. Section 220.1, Code 1981, is amended by adding  
6 the following new subsection:

7 NEW SUBSECTION. When used in the context of an assump-  
8 tion of a loan, "assume" or "assumed" mean any type of trans-  
9 action involving the sale or transfer of an ownership interest  
10 in real estate financed by the authority, whether the convey-  
11 ance involves a transfer by deed or real estate contract or  
12 some other device.

13 Sec. 3. Section 220.2, subsection 3, Code 1981, is amended  
14 to read as follows:

15 3. Five members of the authority constitute a quorum and  
16 the affirmative vote of ~~at least five~~ a majority of the  
17 appointed members is necessary for any substantive action  
18 taken by the authority. The majority shall not include any  
19 member who has a conflict of interest and a statement by a  
20 member of a conflict of interest shall be conclusive for this  
21 purpose. A vacancy in the membership does not impair the  
22 right of a quorum to exercise all rights and perform all  
23 duties of the authority.

24 Sec. 4. Section 220.12, subsection 2, Code 1981, is amended  
25 to read as follows:

26 2. A property improvement loan or mortgage loan under  
27 this section may be made only when the authority determines  
28 that the housing sponsor is unable to obtain the necessary  
29 financing from ~~other~~ nongovernmental sources upon terms and  
30 conditions which the sponsor reasonably could be expected  
31 to fulfill.

32 Sec. 5. Section 220.18, subsection 2, unnumbered paragraph  
33 1, Code 1981, is amended to read as follows:

34 The authority may make or participate in the making of  
35 property improvement loans or mortgage loans for rehabilitation

1 or preservation of existing dwellings for the use of low or  
2 moderate income families, elderly families or families which  
3 include one or more persons who are handicapped or disabled.  
4 A rehabilitation or preservation loan may be for the estimated  
5 cost of the rehabilitation work to be done, for the purpose  
6 of refinancing an existing mortgage loan, for the purpose  
7 of doing the rehabilitation work, or for the purpose of  
8 acquiring housing in which rehabilitation work is to be done.  
9 The rehabilitation or preservation loan shall not exceed,  
10 with all other existing indebtedness of the property, the  
11 estimated market value of the property as determined by the  
12 authority, after the rehabilitation or preservation is  
13 completed, and the term of a loan shall not exceed the  
14 estimated useful life of the property as determined by the  
15 authority, after rehabilitation or preservation. The proposed  
16 rehabilitation or preservation shall assure that the property  
17 will not contain any substantial violation of applicable  
18 housing codes. A rehabilitation or preservation loan under  
19 this subsection may be made only when the authority determines  
20 that the proposed mortgagor is unable to obtain the necessary  
21 financing from ~~either~~ nongovernmental sources upon terms and  
22 conditions which the proposed mortgagor reasonably could be  
23 expected to fulfill. A rehabilitation or preservation loan  
24 under this subsection may be provided only within an area  
25 of a city for which an authorized city agency submits a  
26 satisfactory affirmative neighborhood preservation program,  
27 or in other areas within or outside of cities where the  
28 authority determines that rehabilitation or preservation is  
29 economically sound and a program of neighborhood preserva-  
30 tion is appropriate. The following criteria, along with  
31 others reasonably related to the purposes of this chapter,  
32 which may be determined by the authority, shall be considered  
33 in determining whether an affirmative neighborhood preservation  
34 program is satisfactory:

35 Sec. 6. Chapter 220, Code 1981, is amended by adding the

1 following new section:

2 NEW SECTION. INCONSISTENT PROVISIONS. This chapter takes  
3 precedence over any conflicting provisions contained in section  
4 535.8, subsection 2, with respect to the use or enforcement  
5 of a due-on-sale or similar clause in a mortgage loan  
6 agreement, and takes precedence over any conflicting provisions  
7 contained in laws enacted after the effective date of this  
8 Act with respect to the use or enforcement of a due-on-sale  
9 or similar clause in a mortgage loan agreement unless those  
10 laws expressly provide that they take precedence over this  
11 chapter.

12 Sec. 7. Chapter 220, Code 1981, is amended by adding the  
13 following new section:

14 NEW SECTION. The authority shall be the agency of this  
15 state to designate "areas of economic distress" for purposes  
16 of section 103A(k)(3)(A)(i) of the United States Internal  
17 Revenue Code of 1954, as amended.

18 Sec. 8. Section 537.1301, subsection 15, paragraph b,  
19 Code 1981, is amended by adding the following new subparagraph:

20 NEW SUBPARAGRAPH. A loan financed by the Iowa housing  
21 finance authority and secured by a lien on land.

22 EXPLANATION

23 This bill relates to the Iowa housing finance authority,  
24 and does the following:

25 1. Provides that the mortgage records of the authority  
26 are confidential records under chapter 68A and thus not open  
27 for public inspection.

28 2. Defines the concept of a loan assumption to include  
29 a transfer of rights by either a deed or a real estate  
30 contract.

31 3. Deletes the requirement that at least five members  
32 of the authority vote for a substantive action and substitutes  
33 a requirement that a majority of the appointed board members  
34 not disqualified by a conflict of interest vote for a  
35 substantive action.

1 4. Permits the authority to make loans in direct  
2 competition with other governmental funding sources, while  
3 continuing the prohibition against competing with private  
4 lenders.

5 5. Permits the authority to continue using due-on-sale  
6 clauses, subject only to the provisions of chapter 220. Other  
7 conflicting Code provisions regulating due-on-sale clauses,  
8 including but not limited to section 535.8, subsection 2,  
9 would not apply to IHFA loans.

10 6. Designates the authority as the state agency to identify  
11 areas as "areas of chronic economic distress" as defined and  
12 used for purposes of section 103A of the United States Internal  
13 Revenue Code, relating to public mortgage revenue bonds.

14 7. Exempts any IHFA financed mortgage loan from the defini-  
15 tion of a consumer loan, and thus from the operation of the  
16 uniform consumer credit code, chapter 537.

17 The bill would take effect July 1 following enactment.

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SENATE FILE 425

S-3286

1 Amend Senate File 425 as follows:  
2 1. Page 2, by inserting after line 34 the  
3 following:  
4 "Sec. \_\_\_\_ . Section 220.38, Code 1981, is amended  
5 by adding the following new subsection:  
6 NEW SUBSECTION. Any sale of a residence securing  
7 a mortgage loan financed by the authority, either  
8 directly or indirectly, must be reported to the authority  
9 by the borrower."

S-3286 FILED & ADOPTED  
MARCH 31, 1981 (p 1034)

BY BILL HUTCHINS

See State Gov. 4/1/81  
Amend for 368) Do Pass 4/16 (p. 283)

SENATE FILE 425

BY COMMITTEE ON STATE GOVERNMENT

(AS AMENDED AND PASSED BY THE SENATE MARCH 31, 1981)

Passed Senate, Date 4-29-81 (p. 1454) Passed House, Date 4-24-81 (p. 1376)

Vote: Ayes 44 Nays 0 Vote: Ayes 95 Nays 0

Approved May 19 1981  
Repassed House 5-6-81 (p. 1703)  
97-0

### A BILL FOR

1 An Act relating to the Iowa housing finance authority and  
2 its records, loans, lending practices, and quorum  
3 requirements.

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

HOUSE AMENDMENT TO SENATE FILE 425

S-3583

1 Amend Senate File 425 as amended, passed and  
2 reprinted by the Senate as follows:  
3 1. Page 1, by striking lines 1 through 4.  
3613 4 2. Page 1, line 17, by inserting after the word  
5 "members" the following: "who are present and eligible  
6 to vote".  
7 3. Page 3, line 23, by striking the numeral "15"  
8 and inserting in lieu thereof the numeral "14".

S-3583 FILED  
APRIL 28, 1981

RECEIVED FROM THE HOUSE  
*Senate amended (3613) and concurred 4/29/81 (p. 1454)*  
*House*

SENATE FILE 425

S-3613

1 Amend the House amendment, S-3583, to Senate  
2 File 425 as amended, passed and reprinted by the  
3 Senate as follows:  
4 1. Page 1, by striking lines 4 through 6.

S-3613 FILED & ADOPTED  
APRIL 29, 1981 (p. 1434)

BY BILL HUTCHINS  
LUCAS J. DeKOSTER

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1/2/81

Section 1. Section 68A.7, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. Mortgage records kept by the Iowa housing finance authority.

Sec. 2. Section 220.1, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. When used in the context of an assumption of a loan, "assume" or "assumed" mean any type of transaction involving the sale or transfer of an ownership interest in real estate financed by the authority, whether the conveyance involves a transfer by deed or real estate contract or some other device.

Sec. 3. Section 220.2, subsection 3, Code 1981, is amended to read as follows:

3. Five members of the authority constitute a quorum and the affirmative vote of ~~at least five~~ a majority of the appointed members is necessary for any substantive action taken by the authority. The majority shall not include any member who has a conflict of interest and a statement by a member of a conflict of interest shall be conclusive for this purpose. A vacancy in the membership does not impair the right of a quorum to exercise all rights and perform all duties of the authority.

Sec. 4. Section 220.12, subsection 2, Code 1981, is amended to read as follows:

2. A property improvement loan or mortgage loan under this section may be made only when the authority determines that the housing sponsor is unable to obtain the necessary financing from ~~other~~ nongovernmental sources upon terms and conditions which the sponsor reasonably could be expected to fulfill.

Sec. 5. Section 220.18, subsection 2, unnumbered paragraph 1, Code 1981, is amended to read as follows:

The authority may make or participate in the making of property improvement loans or mortgage loans for rehabilitation

1 or preservation of existing dwellings for the use of low or  
2 moderate income families, elderly families or families which  
3 include one or more persons who are handicapped or disabled.  
4 A rehabilitation or preservation loan may be for the estimated  
5 cost of the rehabilitation work to be done, for the purpose  
6 of refinancing an existing mortgage loan, for the purpose  
7 of doing the rehabilitation work, or for the purpose of  
8 acquiring housing in which rehabilitation work is to be done.  
9 The rehabilitation or preservation loan shall not exceed,  
10 with all other existing indebtedness of the property, the  
11 estimated market value of the property as determined by the  
12 authority, after the rehabilitation or preservation is  
13 completed, and the term of a loan shall not exceed the  
14 estimated useful life of the property as determined by the  
15 authority, after rehabilitation or preservation. The proposed  
16 rehabilitation or preservation shall assure that the property  
17 will not contain any substantial violation of applicable  
18 housing codes. A rehabilitation or preservation loan under  
19 this subsection may be made only when the authority determines  
20 that the proposed mortgagor is unable to obtain the necessary  
21 financing from ~~either~~ nongovernmental sources upon terms and  
22 conditions which the proposed mortgagor reasonably could be  
23 expected to fulfill. A rehabilitation or preservation loan  
24 under this subsection may be provided only within an area  
25 of a city for which an authorized city agency submits a  
26 satisfactory affirmative neighborhood preservation program,  
27 or in other areas within or outside of cities where the  
28 authority determines that rehabilitation or preservation is  
29 economically sound and a program of neighborhood preserva-  
30 tion is appropriate. The following criteria, along with  
31 others reasonably related to the purposes of this chapter,  
32 which may be determined by the authority, shall be considered  
33 in determining whether an affirmative neighborhood preservation  
34 program is satisfactory:

35 Sec. 6. Section 220.38, Code 1981, is amended by adding

1 the following new subsection:

2 NEW SUBSECTION. Any sale of a residence securing a mortgage  
3 loan financed by the authority, either directly or indirectly,  
4 must be reported to the authority by the borrower.

5 Sec. 7. Chapter 220, Code 1981, is amended by adding the  
6 following new section:

7 NEW SECTION. INCONSISTENT PROVISIONS. This chapter takes  
8 precedence over any conflicting provisions contained in section  
9 535.8, subsection 2, with respect to the use or enforcement  
10 of a due-on-sale or similar clause in a mortgage loan  
11 agreement, and takes precedence over any conflicting provisions  
12 contained in laws enacted after the effective date of this  
13 Act with respect to the use or enforcement of a due-on-sale  
14 or similar clause in a mortgage loan agreement unless those  
15 laws expressly provide that they take precedence over this  
16 chapter.

17 Sec. 8. Chapter 220, Code 1981, is amended by adding the  
18 following new section:

19 NEW SECTION. The authority shall be the agency of this  
20 state to designate "areas of economic distress" for purposes  
21 of section 103A(k)(3)(A)(i) of the United States Internal  
22 Revenue Code of 1954, as amended.

23 Sec. 9. Section 537.1301, subsection 15, paragraph b,  
24 Code 1981, is amended by adding the following new subparagraph:

25 NEW SUBPARAGRAPH. A loan financed by the Iowa housing  
26 finance authority and secured by a lien on land.

SENATE AMENDMENT TO HOUSE AMENDMENT  
TO SENATE FILE 425

H-3938

- 1 Amend the House amendment, S-3583, to Senate
- 2 File 425 as amended, passed and reprinted by the
- 3 Senate as follows:
- 4 1. Page 1, by striking lines 4 through 6.

H-3938 FILED MAY 1, 1981

RECEIVED FROM THE SENATE  
*House concurred 5/6/81 (g. 1703)*

SENATE FILE 425

H-3681

- 1 Amend Senate File 425 as amended, passed and
- 2 reprinted by the Senate as follows:
- 3 1. Page 1, by striking lines 1 through 4.

H-3681 FILED

BY COMMITTEE ON STATE GOVERNMENT

APRIL 16, 1981

CRAWFORD, Chair

*Adopted 4/24/81 (p. 1375)*

SENATE FILE 425

H-3797

- 1 Amend Senate File 425 as follows:
- 2 1. Page 1, line 17, by inserting after the word
- 3 "members" the following: "who are present and eligible
- 4 to vote".

H-3797 FILED APRIL 23, 1981

BY HANSON of Delaware

*Adopted 4/24/81 (p. 1376)*

CLARK of Cerro Gordo

TRUCANO of Polk

SENATE FILE 425

H-3798

- 1 Amend Senate File 425 as amended, passed and
- 2 reprinted by the Senate as follows:
- 3 1. Page 3, line 23, by striking the numeral "15"
- 4 and inserting in lieu thereof the numeral "14".

H-3798 FILED APRIL 23, 1981

BY TRUCANO of Polk

*Adopted 4/24/81 (p. 1376)*

SENATE FILE 425

AN ACT

RELATING TO THE IOWA HOUSING FINANCE AUTHORITY AND ITS RECORDS, LOANS, LENDING PRACTICES, AND QUORUM REQUIREMENTS.

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

Section 1. Section 220.1, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. When used in the context of an assumption of a loan, "assume" or "assumed" mean any type of transaction involving the sale or transfer of an ownership interest in real estate financed by the authority, whether the conveyance involves a transfer by deed or real estate contract or some other device.

Sec. 2. Section 220.2, subsection 3, Code 1981, is amended to read as follows:

3. Five members of the authority constitute a quorum and the affirmative vote of ~~at least five~~ a majority of the appointed members is necessary for any substantive action taken by the authority. The majority shall not include any member who has a conflict of interest and a statement by a member of a conflict of interest shall be conclusive for this purpose. A vacancy in the membership does not impair the

right of a quorum to exercise all rights and perform all duties of the authority.

Sec. 3. Section 220.12, subsection 2, Code 1981, is amended to read as follows:

2. A property improvement loan or mortgage loan under this section may be made only when the authority determines that the housing sponsor is unable to obtain the necessary financing from other nongovernmental sources upon terms and conditions which the sponsor reasonably could be expected to fulfill.

Sec. 4. Section 220.18, subsection 2, unnumbered paragraph 1, Code 1981, is amended to read as follows:

The authority may make or participate in the making of property improvement loans or mortgage loans for rehabilitation or preservation of existing dwellings for the use of low or moderate income families, elderly families or families which include one or more persons who are handicapped or disabled. A rehabilitation or preservation loan may be for the estimated cost of the rehabilitation work to be done, for the purpose of refinancing an existing mortgage loan, for the purpose of doing the rehabilitation work, or for the purpose of acquiring housing in which rehabilitation work is to be done. The rehabilitation or preservation loan shall not exceed, with all other existing indebtedness of the property, the estimated market value of the property as determined by the authority, after the rehabilitation or preservation is completed, and the term of a loan shall not exceed the estimated useful life of the property as determined by the authority, after rehabilitation or preservation. The proposed rehabilitation or preservation shall assure that the property will not contain any substantial violation of applicable housing codes. A rehabilitation or preservation loan under this subsection may be made only when the authority determines that the proposed mortgagor is unable to obtain the necessary financing from other nongovernmental sources upon terms and

conditions which the proposed mortgagor reasonably could be expected to fulfill. A rehabilitation or preservation loan under this subsection may be provided only within an area of a city for which an authorized city agency submits a satisfactory affirmative neighborhood preservation program, or in other areas within or outside of cities where the authority determines that rehabilitation or preservation is economically sound and a program of neighborhood preservation is appropriate. The following criteria, along with others reasonably related to the purposes of this chapter, which may be determined by the authority, shall be considered in determining whether an affirmative neighborhood preservation program is satisfactory:

Sec. 5. Section 220.38, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. Any sale of a residence securing a mortgage loan financed by the authority, either directly or indirectly, must be reported to the authority by the borrower.

Sec. 6. Chapter 220, Code 1981, is amended by adding the following new section:

NEW SECTION. INCONSISTENT PROVISIONS. This chapter takes precedence over any conflicting provisions contained in section 535.8, subsection 2, with respect to the use or enforcement of a due-on-sale or similar clause in a mortgage loan agreement, and takes precedence over any conflicting provisions contained in laws enacted after the effective date of this Act with respect to the use or enforcement of a due-on-sale or similar clause in a mortgage loan agreement unless those laws expressly provide that they take precedence over this chapter.

Sec. 7. Chapter 220, Code 1981, is amended by adding the following new section:

NEW SECTION. The authority shall be the agency of this state to designate "areas of economic distress" for purposes of section 103A(k)(3)(A)(i) of the United States Internal Revenue Code of 1954, as amended.

Sec. 8. Section 537.1301, subsection 14, paragraph b, Code 1981, is amended by adding the following new subparagraph:  
NEW SUBPARAGRAPH. A loan financed by the Iowa housing finance authority and secured by a lien on land.

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TERRY E. BRANSTAD  
President of the Senate

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DELWYN STROMER  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 425, Sixty-ninth General Assembly.

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LINDA HOWARTH MACKAY  
Secretary of the Senate

Approved May 19, 1981

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ROBERT D. RAY  
Governor