

3/26 (p. 1063)

Committee
Printed On
Holders
Number

MAR 1 1984

Place On Calendar

HOUSE FILE 2415

BY COMMITTEE ON SMALL
BUSINESS AND COMMERCE

(Formerly Study Bill 707)

Passed House, Date 3-8-84 (p. 844) Passed Senate, Date 3-28-84 (p. 1107)

Vote: Ayes 58 Nays 32 Vote: Ayes 47 Nays 0

Approved May 14 1984

Motion to reconsider (p. 847)

Motion to reconsider (p. 1107) w/d 3/27

Loss 3/14 (p. 1045)

Passed House 4-3-84 (p. 1599)
63-32

A BILL FOR

- 1 An Act providing for the creation of a home equity line of
- 2 credit and priority of advances under mortgages securing
- 3 the home equity line of credit.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

SENATE AMENDMENT TO HOUSE FILE 2415

H-6007

- 1 Amend House File 2415 as follows:
- 2 1. Page 1, by striking lines 20 through 35 and
- 3 inserting in lieu thereof the following:
- 4 "2. Except as provided in this section, a home
- 5 equity line of credit is subject to chapter 537.
- 6 However, sections 537.2307, 537.2402, and 537.2510
- 7 do not apply.
- 8 3. A lender may collect in connection with
- 9 establishing or renewing a home equity line of credit
- 10 the costs listed in section 535.8, subsection 2,
- 11 paragraph "b", charges for insurance as described
- 12 in section 537.2501, subsection 2, and a loan pro-
- 13 cessing fee as agreed between the borrower and the
- 14 lender, and annually may collect an account maintenance
- 15 fee of not more than fifteen dollars. Fees collected
- 16 under this subsection shall be disregarded for purposes
- 17 of determining the maximum charge permitted by
- 18 subsection 4.
- 19 4. The interest rate on a home equity line of
- 20 credit shall not exceed one and three-quarters percent
- 21 per month.
- 22 5. Real estate which is the consumer's principal
- 23 dwelling shall not be subject to foreclosure when
- 24 the balance secured is \$2000 or less."
- 25 2. Renumber as necessary.

H-6007 FILED MARCH 30, 1984

RECEIVED FROM THE SENATE

House concurred 4/3 (p. 1599)

H F 2415

1 Section 1. NEW SECTION. 535.10 HOME EQUITY LINE OF
2 CREDIT.

3 1. As used in this chapter, the term "home equity line
4 of credit" means an arrangement pursuant to which all of the
5 following are applicable:

6 a. The amounts borrowed and the interest and other charges
7 are debited to an account.

8 b. The interest is computed on the account periodically.

9 c. The borrower has the right to pay in full at any time
10 without penalty or to pay in the installments which are estab-
11 lished by the loan agreement.

12 d. The lender agrees to permit the borrower to borrow
13 money from time to time with the maximum amount of each bor-
14 rowing established by the loan agreement, provided that the
15 minimum amount of each borrowing shall not be less than five
16 hundred dollars.

17 e. The account is secured by an interest in real estate.
18 The priority of the secured interest in the real estate shall
19 be determined by section 654.12A.

20 2. A home equity line of credit is not subject to chap-
21 ter 537.

22 3. A lender may collect in connection with establishing
23 or renewing a home equity line of credit the costs listed
24 in section 535.8, subsection 2, paragraph "b", charges for
25 insurance as described in section 537.2501, subsection 2,
26 and a loan processing fee as agreed between the borrower and
27 the lender, and annually may collect an account maintenance
28 fee as agreed between the borrower and the lender. Fees
29 collected under this paragraph shall be disregarded for
30 purposes of determining the maximum charge permitted by section
31 535.2.

32 Sec. 2. Section 535.2, subsection 2, paragraph a, Code
33 1983, is amended by adding the following new subparagraph:
34 NEW SUBPARAGRAPH. (6) A person borrowing money under
35 a home equity line of credit as provided in section 535.10.

1 evidencing the line of credit. Loans or advances made under
2 the mortgage have priority over other liens except mechanic's
3 liens filed subsequent to the mortgage even if the loans or
4 advances are made after the other liens have been filed.

5 This bill becomes effective July 1 following enactment.

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HOUSE FILE 2415

H-5470

1 Amend House File 2415 as follows:

2 1. Page 1, by inserting after line 19 the
3 following:

4 "f. The lender is a state or federally-chartered
5 bank, savings and loan association, savings bank,
6 or credit union."

7 2. Page 1, by striking lines 20 and 21 and
8 inserting in lieu thereof the following:

9 "2. A home equity line of credit is subject to
10 chapter 537, except section 537.2307 does not apply
11 and the home equity line of credit shall be considered
12 a consumer loan not pursuant to open end credit and
13 shall be subject to section 537.2401."

14 3. Page 1, by striking lines 22 through 35.

15 4. Renumber as necessary.

*c. 4/10 3/8 (p. 845)
A. B - Loan 3/5 (345)*

BY HOLVECK of Polk
HUMMEL of Benton
CHAPMAN of Linn
VAN CAMP of Scott

H-5470 FILED MARCH 7, 1984

HOUSE FILE 2415

H-5473

1 Amend House File 2415 as follows:

2 1. Page 1, by inserting after line 19 the
3 following:

4 "f. The lender is a state or federally-chartered
5 bank, savings and loan association, savings bank,
6 or credit union."

7 2. Page 1, by striking lines 20 and 21 and
8 inserting in lieu thereof the following:

9 "2. A home equity line of credit is subject to
10 chapter 537, except section 537.2307 does not apply."

11 3. Page 1, by striking lines 26 through 28 and
12 inserting in lieu thereof the following: "and a loan
13 processing fee in an amount not to exceed that amount
14 permitted in section 535.8, subsection 2, paragraph
15 a. Fees".

16 4. Page 1, by inserting after line 31 the
17 following:

18 "4. The rate of interest applied to a home equity
19 line of credit shall not exceed the usury limit
20 established pursuant to section 535.2, subsection
21 3."

22 5. Page 1, by striking lines 32 through 35.

23 6. By renumbering as necessary.

H-5473 FILED MARCH 7, 1984 BY HOLVECK of Polk

2/10 3/8 (p. 830)

HOUSE FILE 2415

H-5515

1 Amend House amendment H-5470 to House File 2415
2 as follows:
3 1. Page 1, line 13, by inserting after the figure
4 "537.2401." the following: "For that portion of a
5 home equity line of credit used to acquire a new or
6 used motor vehicle and to which section 322.19 is
7 applicable, the maximum finance charges permitted
8 in section 322.19 shall apply."

BY HOLVECK of Polk

H-5515 FILED MARCH 8, 1984

HUMMEL of Benton

LOST (p. 845)

HOUSE FILE 2415

H-5523

1 Amend House amendment H-5470 to House File 2415
2 to read as follows:
3 1. Page 1, by striking lines 10 through 13 and
4 inserting in lieu thereof the following: "chapter
5 537, except sections 537.2307 and 537.2402 do not
6 apply."

H-5523 FILED MARCH 8, 1984

BY HOLVECK of Polk

LOST (p. 844)

HOUSE FILE 2415

H-5640

- 1 Amend House File 2415 as follows:
- 2 1. Page 1, by striking lines 20 and 21 and
- 3 inserting in lieu thereof the following:
- 4 "2. A home equity line of credit is subject to
- 5 chapter 537, except that sections 537.2307 and 537.2402
- 6 do not apply."

BY HOLVECK of Polk
KREWSON of Polk
ROSENBERG of Story
MULLINS of Kossuth

H-5640 FILED MARCH 13, 1984
Placed out of order 3/14 (p. 1045)

HOUSE FILE 2415

H-5657

- 1 Amend House amendment H-5640 to House File 2415
- 2 as follows:
- 3 1. Page 1, by striking lines 5 and 6 and inserting
- 4 in lieu thereof the following: "chapter 537, except
- 5 that section 537.2307 does not apply and that a home
- 6 equity line of credit shall be deemed to be a consumer
- 7 loan not pursuant to open end credit for purposes
- 8 of determining the applicable maximum interest rate."

H-5657 FILED MARCH 14, 1984 BY HOLVECK of Polk
OUT OF ORDER 3/14 (p. 1045)

HOUSE FILE 2415

H-5643

1 Amend House File 2415 as follows:

2 1. Page 1, by striking lines 1 through 35 and
3 inserting in lieu thereof the following:

4 "Section 1. NEW SECTION. 535.10 HOME EQUITY
5 LINE OF CREDIT.

6 1. As used in this chapter, the term "home equity
7 line of credit" means an arrangement pursuant to which
8 all of the following are applicable:

9 a. The amounts borrowed and the interest and other
10 charges are debited to an account.

11 b. The interest is computed on the account periodi-
12 cally.

13 c. The borrower has the right to pay in full at
14 any time without penalty or to pay in the installments
15 which are established by the loan agreement.

16 d. The lender agrees to permit the borrower to
17 borrow money from time to time with the maximum amount
18 of each borrowing established by the loan agreement,
19 provided that the minimum amount of each borrowing
20 shall not be less than one thousand dollars.

21 e. The account is secured by an interest in real
22 estate. The priority of the secured interest in the
23 real estate shall be determined by section 654.12A.

24 2. Except as provided in this section, a home
25 equity line of credit is subject to chapter 537.
26 However, sections 537.2307 and 537.2402 do not apply.

27 3. A lender may collect in connection with
28 establishing or renewing a home equity line of credit
29 the costs listed in section 535.8, subsection 2,
30 paragraph "b", charges for insurance as described
31 in section 537.2501, subsection 2, and a loan pro-
32 cessing fee as agreed between the borrower and the
33 lender. Fees collected under this subsection shall
34 be disregarded for purposes of determining the maximum
35 charge permitted by subsection 4.

36 4. The interest rate on a home equity line of
37 credit shall not exceed two percent per month.

38 5. A lender shall not provide a home equity line
39 of credit in an amount that exceeds seventy-five
40 percent of the appraised value of the real estate
41 to be used as security minus the total of all
42 outstanding liens and encumbrances on the real estate."

43 2. Renumber as necessary.

BY BLANSHAN of Greene
VARN of Johnson
McKEAN of Jones
KREWSON of Polk
LAGESCHULTE of Bremer
PELLETT of Cass
LLOYD-JONES of Johnson

H-5643 FILED MARCH 13, 1984

Classed out of order 3/14 (p. 1045)

HOUSE FILE 2415

S-5514

1 Amend House File 2415 as follows:

2 1. Page 1, by striking lines 20 through 35 and
3 inserting in lieu thereof the following:

4 "2. Except as provided in this section, a home
5 equity line of credit is subject to chapter 537.

6 However, sections 537.2307, 537.2402, and 537.2510
7 do not apply.

8 3. A lender may collect in connection with
9 establishing or renewing a home equity line of credit
10 the costs listed in section 535.8, subsection 2,

11 paragraph "b", charges for insurance as described
12 in section 537.2501, subsection 2, and a loan pro-

13 cessing fee as agreed between the borrower and the
14 lender. Fees collected under this subsection shall

15 be disregarded for purposes of determining the maximum
16 charge permitted by subsection 4.

17 4. The interest rate on a home equity line of
18 credit shall not exceed one and three-quarters percent
19 per month."

20 2. Renumber as necessary.

S-5514 FILED
MARCH 26, 1984

BY COMMITTEE ON COMMERCE
GEORGE KINLEY, CHAIR

*Adopted as amended by 5574
3/28 (p. 1107)*

HOUSE FILE 2415

S-5574

1 Amend Senate amendment S-5514 to House File
2 2415 as passed by the House as follows:

3 1. Page 1, line 14, by inserting after the
4 word "lender" the following: "and annually may
5 collect an account maintenance fee of not more
6 than fifteen dollars".

7 2. Page 1, by striking line 19 and inserting
8 in lieu thereof the following:
9 "per month.

10 5. Real estate which is the consumer's
11 principal dwelling shall not be subject to
12 foreclosure when the balance secured is \$2000
13 or less."

S-5574 FILED
MARCH 27, 1984

BY CHARLES BRUNER

Adopted 3/28 (p. 1106)

HOUSE FILE 2415

AN ACT

PROVIDING FOR THE CREATION OF A HOME EQUITY LINE OF CREDIT AND PRIORITY OF ADVANCES UNDER MORTGAGES SECURING THE HOME EQUITY LINE OF CREDIT.

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

Section 1. NEW SECTION. 535.10 HOME EQUITY LINE OF CREDIT.

1. As used in this chapter, the term "home equity line of credit" means an arrangement pursuant to which all of the following are applicable:

- a. The amounts borrowed and the interest and other charges are debited to an account.
- b. The interest is computed on the account periodically.
- c. The borrower has the right to pay in full at any time without penalty or to pay in the installments which are established by the loan agreement.
- d. The lender agrees to permit the borrower to borrow money from time to time with the maximum amount of each borrowing established by the loan agreement, provided that the minimum amount of each borrowing shall not be less than five hundred dollars.
- e. The account is secured by an interest in real estate. The priority of the secured interest in the real estate shall be determined by section 554.12A.

2. Except as provided in this section, a home equity line of credit is subject to chapter 537. However, sections 537.2307, 537.2402, and 537.2510 do not apply.

3. A lender may collect in connection with establishing or renewing a home equity line of credit the costs listed in section 535.8, subsection 2, paragraph "b", charges for insurance as described in section 537.2501, subsection 2, and a loan processing fee as agreed between the borrower and the lender, and annually may collect an account maintenance fee of not more than fifteen dollars. Fees collected under this subsection shall be disregarded for purposes of determining the maximum charge permitted by subsection 4.

4. The interest rate on a home equity line of credit shall not exceed one and three-quarters percent per month.

5. Real estate which is the consumer's principal dwelling shall not be subject to foreclosure when the balance secured is \$2000 or less.

Sec. 2. NEW SECTION. 654.12A PRIORITY OF ADVANCES UNDER MORTGAGES. Subject to section 572.18, if a prior recorded mortgage contains the notice prescribed in this section and identifies the maximum credit available to the borrower, then loans and advances made under the mortgage, up to the maximum amount of credit together with interest thereon, are senior to indebtedness to other creditors under subsequently recorded mortgages and other subsequently recorded or filed liens even though the holder of the prior recorded mortgage has actual notice of indebtedness under a subsequently recorded mortgage or other subsequently recorded or filed lien. The notice prescribed by this section for the prior recorded mortgage is as follows:

NOTICE: This mortgage secures credit in the amount of \$ _____ . Loans and advances up to this amount, together with interest, are senior to indebtedness to other creditors under subsequently recorded or filed mortgages and liens.

However, the priority of a prior recorded mortgage under this section does not apply to loans or advances made after receipt of notice of foreclosure or action to enforce a

subsequently recorded mortgage or other subsequently recorded
or filed lien.

DONALD D. AVENSON
Speaker of the House

ROBERT T. ANDERSON
President of the Senate

I hereby certify that this bill originated in the House and
is known as House File 2415, Seventieth General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved May 14, 1984

TERRY E. BRANSTAD
Governor