

Sen. Commerce 3/14 Do Pass 3/24 (p. 1018)

MAR 4 1988

Place On Calendar

HOUSE FILE 2407

BY COMMITTEE ON SMALL BUSINESS  
AND COMMERCE

(Formerly House Study Bill 765)

Passed House, Date 3/10/88 (p. 124)

Passed Senate, Date 3/29/88 (p. 1140)

Vote: Ayes 89 Nays 0

Vote: Ayes 47 Nays 1

Approved May 3, 1988

*Waived to Rescind (p. 1149)  
" w/R 4/13 (p. 1495)*

**A BILL FOR**

1 An Act relating to the Iowa housing finance authority, by  
2 modifying the title guaranty program requirements that  
3 participation fees be charged, that lenders be participants,  
4 that persons or lenders not receive a portion of the charge  
5 for title guaranty, and that financial institutions disclose  
6 the availability of the program, and by expanding the purposes  
7 of and renaming the commitment cost fund.

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

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H H 2407

1 Section 1. Section 220.40, Code 1987, is amended to read  
2 as follows:

3 220.40 ~~COMMITMENT-COSTS~~ HOUSING PROGRAM FUND.

4 A ~~commitment-costs~~ housing program fund is created within  
5 the treasurer of state's office. The moneys shall be used by  
6 the authority ~~to~~ and are appropriated for the following  
7 purposes:

8 1. To cover initial commitment costs of authority bond  
9 issues and loans in order to facilitate and ensure equal  
10 access across the state to funds for programs for first time  
11 home buyers.

12 2. For the homeless grant program under section 220.100,  
13 subsection 2, paragraph "a".

14 3. For the home maintenance and repair program under  
15 section 220.100, subsection 2, paragraph "b".

16 4. For the rental rehabilitation program under section  
17 220.100, subsection 2, paragraph "c".

18 5. For the home ownership incentive program under section  
19 220.100, subsection 2, paragraph "d".

20 Moneys in the fund shall not revert to the general fund and  
21 interest on the moneys in the fund shall be retained as part  
22 of the fund and not accrue to the general fund.

23 Sec. 2. Section 220.01, subsection 1, Code Supplement  
24 1987, is amended to read as follows:

25 1. The authority through the title guaranty division shall  
26 initiate and operate a program in which the division shall  
27 offer guaranties of real property titles in this state. The  
28 terms, conditions and form of the guaranty contract shall be  
29 forms approved by the division board. The division shall fix  
30 a charge for the guaranty in an amount sufficient to permit  
31 the program to operate on a self-sustaining basis, including  
32 payment of administrative costs and the maintenance of an  
33 adequate reserve against claims under the title guaranty  
34 program. A title guaranty fund is created in the office of  
35 the treasurer of state. Funds collected under this program

1 shall be placed in the title guaranty fund and are available  
2 to pay all claims, necessary reserves and all administrative  
3 costs of the title guaranty program. Moneys in the fund shall  
4 not revert to the general fund and interest on the moneys in  
5 the fund shall be retained as a part of the fund and shall not  
6 accrue to the general fund. If the authority board in  
7 consultation with the division board determines that there are  
8 surplus funds in the title guaranty fund after providing for  
9 adequate reserves and operating expenses of the division, the  
10 surplus funds shall be transferred to the ~~commitment-costs~~  
11 housing program fund created pursuant to section 220.40.

12 Sec. 3. Section 220.91, subsection 4, Code Supplement  
13 1987, is amended to read as follows:

14 4. Each participating ~~mortgage-lender~~, attorney and  
15 abstractor ~~shall~~ may be required to pay an annual  
16 participation fee to be eligible to participate in the title  
17 guaranty program. The fee, if any, shall be set by the  
18 division, subject to the approval of the authority.

19 Sec. 4. Section 220.91, subsection 5, Code Supplement  
20 1987, is amended to read as follows:

21 5. The participation of abstractors, and attorneys and  
22 ~~lenders~~ shall be in accordance with rules established by the  
23 division and adopted by the authority pursuant to chapter 17A.  
24 Each participant shall at all times maintain liability  
25 coverage in amounts approved by the division. Upon payment of  
26 a claim by the division, the division shall be subrogated to  
27 the rights of the claimant against all persons relating to the  
28 claim.

29 Sec. 5. Section 220.91, subsection 7, Code Supplement  
30 1987, is amended to read as follows:

31 7. The attorney rendering a title opinion shall be  
32 authorized to issue a title guaranty certificate subject to  
33 the rules of the authority. ~~A-person-or-mortgage-lender~~  
34 ~~participating-in-the-title-guaranty-program-shall-not-charge~~  
35 ~~or-receive-any-portion-of-the-charge-for-the-guaranty-as-a~~

1 ~~result-of-their-participation-in-the-title-guaranty-program~~

2 Sec. 6. Section 535A.12, Code 1987, is repealed.

3 EXPLANATION

4 This bill modifies the title guaranty program, of section  
5 220.91, by removing mortgage lenders as participants, granting  
6 discretion to the authority whether to charge participants an  
7 annual fee, and allowing participants to charge a fee for  
8 their services as a result of participation in the title  
9 guaranty program. Additionally, the bill alters the  
10 commitment cost fund, renamed the housing program fund, to  
11 include appropriating funds for the homeless grant program,  
12 the home maintenance and repair program, the rental  
13 rehabilitation program, and the home ownership incentive  
14 program.

15 Section 1 expands the commitment cost fund and renames it  
16 the housing program fund.

17 Section 2 corrects an internal reference to the commitment  
18 cost fund to reflect the new name under section 1.

19 Section 3 removes the mortgage lender from the class of  
20 participants in the program and makes the annual participation  
21 fee for remaining participants, attorneys and abstractors,  
22 permissive within the discretion of the authority.

23 Section 4 also deletes a reference to mortgage lenders.

24 Section 5 removes the prohibition on program participants  
25 charging a fee in connection with their participation in the  
26 guaranty program, thus permitting attorneys and abstractors to  
27 charge a fee as a result of their participating in the title  
28 guaranty program.

29 Section 6 repeals section 535A.12 which currently requires  
30 a financial institution to advise prospective borrowers of the  
31 availability of the title guaranty program among other  
32 disclosures relating to the program.

33 SIMILAR TO HSB 765 (LSB 8265HC)

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In compliance with a written request received March 1, 1988, a fiscal note for H.F. 2407 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 2407 modifies existing programs administered by the Iowa Finance Authority. The Title Guaranty Program is amended by removing mortgage lenders as participants of the program, allowing the Authority to determine, if any, the annual participation fee for the remaining program participants, and allowing attorneys and abstractors which participate in the program charge a fee for rendering a title opinion.

The Commitment Cost Fund is expanded to include funding for the Homeless Grant Program, the Home Maintenance and Repair Program, the Rental Rehabilitation Program, and the Home Ownership Incentive Program and is renamed the Housing Program Fund.

ASSUMPTIONS:

- 1) The Authority would not charge a fee for participating in the Title Guaranty Program.
- 2) The allocation of funds within the Housing Program Fund would be determined by the Authority.

FISCAL EFFECT:

There is no fiscal effect resulting from the enactment of H.F. 2407.

Source: Iowa Finance Authority

(LSB 8265H, CEN)

S-5812

BY DENNIS PROUTY, FISCAL DIRECTOR  
HOUSE FILE 2407

- 1 Amend House File 2407, as passed by the House, as
- 2 follows:
- 3 1. Page 3, by inserting after line 1, the
- 4 following:
- 5 "Sec. \_\_\_\_ Section 515.48, subsection 10, Code
- 6 1987, is amended to read as follows:
- 7 10. Insure any additional risk not specifically
- 8 included within any of the foregoing classes, which is
- 9 a proper subject for insurance, is not prohibited by
- 10 law or contrary to sound public policy, and which,
- 11 after public notice and hearing, is specifically
- 12 approved by the commissioner of insurance, except
- 13 ~~title insurance or insurance against loss or damage by~~
- 14 ~~reason of defective title, encumbrances or otherwise.~~
- 15 When such additional kind of insurance is approved by
- 16 the commissioner, the commissioner shall designate
- 17 within which classification of risks provided for in
- 18 section 515.49 it shall fall.
- 19 Sec. \_\_\_\_ Section 515.48, Code 1987, is amended by
- 20 adding the following new subsection:
- 21 NEW SUBSECTION. 11. Issue, sell, or underwrite
- 22 title insurance to insure property titles against loss
- 23 or damage by reason of defective title, encumbrances,
- 24 or otherwise."
- 25 2. By renumbering as necessary.

S-5812

Filed April 6, 1988  
Placed 4/6 4/13 (9.1495)

BY CALVIN O. HULTMAN

HSB 765

SMALL BUSINESS AND COMMERCE

House Study Bill 765

Small Business and Commerce - Sycz, Chair; Corbett and Shultz

HOUSE FILE 2447  
BY (PROPOSED COMMITTEE ON  
SMALL BUSINESS AND  
COMMERCE BILL)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to title guaranty by removing the requirements  
2 that participation fees be charged, that lenders be  
3 participants, that persons or lenders not receive a portion of  
4 the charge for title guaranty, and that financial institutions  
5 disclose the availability of the program.

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

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1 Section 1. Section 220.91, subsection 4, Code Supplement  
2 1987, is amended to read as follows:

3 4. Each participating mortgage-lender, attorney and  
4 abstractor ~~shall~~ may be required to pay an annual  
5 participation fee to be eligible to participate in the title  
6 guaranty program. The fee, if any, shall be set by the  
7 division, subject to the approval of the authority.

8 Sec. 2. Section 220.91, subsection 5, Code Supplement  
9 1987, is amended to read as follows:

10 5. The participation of abstractors, and attorneys and  
11 lenders shall be in accordance with rules established by the  
12 division and adopted by the authority pursuant to chapter 17A.  
13 Each participant shall at all times maintain liability  
14 coverage in amounts approved by the division. Upon payment of  
15 a claim by the division, the division shall be subrogated to  
16 the rights of the claimant against all persons relating to the  
17 claim.

18 Sec. 3. Section 220.91, subsection 7, Code Supplement  
19 1987, is amended to read as follows:

20 7. The attorney rendering a title opinion shall be  
21 authorized to issue a title guaranty certificate subject to  
22 the rules of the authority. ~~A-person-or-mortgage-lender~~  
23 ~~participating-in-the-title-guaranty-program-shall-not-charge~~  
24 ~~or-receive-any-portion-of-the-charge-for-the-guaranty-as-a~~  
25 ~~result-of-their-participation-in-the-title-guaranty-program.~~

26 Sec. 4. Section 535A.12, Code 1987, is repealed.

27 EXPLANATION

28 This bill modifies the title guaranty program, of section  
29 220.91, by removing mortgage lenders as participants, granting  
30 discretion to the authority whether to charge participants an  
31 annual fee, and allowing participants to charge a fee for  
32 their services as a result of participation in the title  
33 guaranty program.

34 Section 1 removes the mortgage lender from the class of  
35 participants in the program and makes the annual participation

1 fee for remaining participants, attorneys and abstractors,  
2 permissive within the discretion of the authority.

3 Section 2 also deletes a reference to mortgage lenders.

4 Section 3 removes the prohibition on program participants  
5 charging a fee in connection with their participation in the  
6 guaranty program, thus permitting attorneys and abstractors to  
7 charge a fee as a result of their participating in the title  
8 guaranty program.

9 Section 4 repeals section 535A.12 which currently requires  
10 a financial institution to advise prospective borrowers of the  
11 availability of the title guaranty program among other  
12 disclosures relating to the program.

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HOUSE FILE 2407

AN ACT

RELATING TO THE IOWA HOUSING FINANCE AUTHORITY, BY MODIFYING THE TITLE GUARANTY PROGRAM REQUIREMENTS THAT PARTICIPATION FEES BE CHARGED, THAT LENDERS BE PARTICIPANTS, THAT PERSONS OR LENDERS NOT RECEIVE A PORTION OF THE CHARGE FOR TITLE GUARANTY, AND THAT FINANCIAL INSTITUTIONS DISCLOSE THE AVAILABILITY OF THE PROGRAM, AND BY EXPANDING THE PURPOSES OF AND RENAMING THE COMMITMENT COST FUND.

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

Section 1. Section 220.40, Code 1987, is amended to read as follows:

220.40 COMMITMENT-COSTS HOUSING PROGRAM FUND.

A commitment-costs housing program fund is created within the treasurer of state's office. The moneys shall be used by the authority to and are appropriated for the following purposes:

1. To cover initial commitment costs of authority bond issues and loans in order to facilitate and ensure equal access across the state to funds for programs for first time home buyers.
2. For the homeless grant program under section 220.100, subsection 2, paragraph "a".
3. For the home maintenance and repair program under section 220.100, subsection 2, paragraph "b".
4. For the rental rehabilitation program under section 220.100, subsection 2, paragraph "c".
5. For the home ownership incentive program under section 220.100, subsection 2, paragraph "d".

Moneys in the fund shall not revert to the general fund and interest on the moneys in the fund shall be retained as part of the fund and not accrue to the general fund.

Sec. 2. Section 220.91, subsection 1, Code Supplement 1987, is amended to read as follows:

1. The authority through the title guaranty division shall initiate and operate a program in which the division shall offer guaranties of real property titles in this state. The terms, conditions and form of the guaranty contract shall be forms approved by the division board. The division shall fix a charge for the guaranty in an amount sufficient to permit the program to operate on a self-sustaining basis, including payment of administrative costs and the maintenance of an adequate reserve against claims under the title guaranty program. A title guaranty fund is created in the office of the treasurer of state. Funds collected under this program shall be placed in the title guaranty fund and are available to pay all claims, necessary reserves and all administrative costs of the title guaranty program. Moneys in the fund shall not revert to the general fund and interest on the moneys in the fund shall be retained as a part of the fund and shall not accrue to the general fund. If the authority board in consultation with the division board determines that there are surplus funds in the title guaranty fund after providing for adequate reserves and operating expenses of the division, the surplus funds shall be transferred to the commitment costs housing program fund created pursuant to section 220.40.

Sec. 3. Section 220.91, subsection 4, Code Supplement 1987, is amended to read as follows:

4. Each participating mortgage-lender, attorney and abstractor shall may be required to pay an annual participation fee to be eligible to participate in the title guaranty program. The fee, if any, shall be set by the division, subject to the approval of the authority.

Sec. 4. Section 220.91, subsection 5, Code Supplement 1987, is amended to read as follows:

5. The participation of abstractors, and attorneys and lenders, shall be in accordance with rules established by the division and adopted by the authority pursuant to chapter 17A. Each participant shall at all times maintain liability.

HF 2407

coverage in amounts approved by the division. Upon payment of a claim by the division, the division shall be subrogated to the rights of the claimant against all persons relating to the claim.

Sec. 5. Section 220.91, subsection 7, Code Supplement 1987, is amended to read as follows:

7. The attorney rendering a title opinion shall be authorized to issue a title guaranty certificate subject to the rules of the authority. ~~A-person-or-mortgage-lender participating-in-the-title-guaranty-program-shall-not-charge or-receive-any-portion-of-the-charge-for-the-guaranty-as-a result-of-their-participation-in-the-title-guaranty-program.~~

Sec. 6. Section 535A.12, Code 1987, is repealed.

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DONALD D. AVENSON  
Speaker of the House

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JO ANN ZIMMERMAN  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2407, Seventy-second General Assembly.

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JOSEPH O'HERN  
Chief Clerk of the House

Approved May 3, 1988

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TERRY E. BRANSTAD  
Governor