House File 512 - Introduced

HOUSE FILE 512
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 125)

A BILL FOR

An Act relating to closing costs for a debt secured by an interest in land.
BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 537.2501, subsection 1, paragraph e, subparagraph (5), Code 2025, is amended to read as follows:

(5) Fees or charges listed in section 535.8, subsection 4, paragraphs "*a*" and "*b*". If a creditor that is a mortgage banker licensed under section 535B.5 or registered under section 535B.3 makes a consumer loan secured by an interest in land in which the points and fees the borrower is charged by all lenders in connection with the loan do not exceed the amounts specified in 12 C.F.R. §1026.43(e)(3), the consumer loan shall not be subject to section 535.8, subsection 4, paragraph "*a*", or section 535.8, subsection 5.

Sec. 2. Section 537.2501, subsection 1, paragraph e, Code 2025, is amended by adding the following new subparagraphs:

NEW SUBPARAGRAPH. (6) Discount points for the purpose of reducing, and that result in a bona fide reduction of, the interest rate or time-price differential applicable to the loan.

NEW SUBPARAGRAPH. (7) Points, agreed upon by the creditor and borrower, to offer a given interest rate.

EXPLANATION

The inclusion of this explanation does not constitute agreement with the explanation's substance by the members of the general assembly.

This bill relates to closing costs for a debt secured by an interest in land.

Under the bill, in addition to permitted finance charges, with respect to a debt secured by an interest in land, a creditor may contract for and receive closing costs, provided they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of Code chapter 537, including fees or charges listed in Code section 535.8(4)(a) and (b), except if a creditor that is a mortgage banker makes a consumer loan secured by an interest in land in which the points and fees the borrower is charged by all lenders in connection with the loan do not exceed the amounts specified in 12 C.F.R. §1026.43(e)(3), the consumer loan shall not be subject to Code section 535.8(4)(a) or Code section 535.8(5).

A creditor may also contract for and receive discount points for the purpose of reducing, and which result in a reduction of, the interest rate or time-price differential applicable to the loan, and points agreed upon by the creditor and borrower to offer a given interest rate.