

CHAPTER 238
MORTGAGE TYING ARRANGEMENTS
H.F. 531

AN ACT prohibiting certain practices by a financial institution which makes or offers to make a real estate mortgage loan, requiring certain disclosures, and making penalties applicable.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 535A.1, subsection 3, Code 1985, is amended to read as follows:

3. "Financial institution" means any bank, credit union, insurance company, mortgage banking company or savings and loan association, industrial loan company, or like institution or any other person who makes mortgage loans and which operates or has a place of business in this state. "Financial institution" does not include an individual who makes less than five mortgage loans a year.

Sec. 2. Section 535A.6, Code 1985, is amended to read as follows:

535A.6 AGGRIEVED PARTY.

Any person who has been aggrieved as a result of a violation of sections 535A.1 to ~~535A.8~~ **535A.9** and 220.6, subsection 4, may bring an action in the district court of the county in which the violation occurred or in the county where the financial institution involved is located.

Upon a finding that a financial institution has committed a violation of either section 535A.2, ~~or 535A.4, or 535A.9~~ the court may award actual damages, court costs and attorney fees.

Sec. 3. Section 535A.7, Code 1985, is amended to read as follows:

535A.7 CRIMINAL PENALTY.

Any person who knowingly engages in a practice which violates the provisions of section 535A.2, ~~or 535A.4 or 535A.9~~ is guilty of a serious misdemeanor.

Sec. 4. **NEW SECTION. 535A.9 TYING ARRANGEMENTS PROHIBITED.**

1. A financial institution which makes or offers to make real estate mortgage loans shall not:

a. Grant or offer to grant a loan on the prior condition, that the borrower is required to contract with any specific person or organization for either of the following:

- (1) Services of a real estate agent or broker.
- (2) Insurance services as an agent, broker, or underwriter.

b. Use confidential credit status information that is used for qualifying a person for the purchase of real property for solicitation purposes either directly or indirectly by an affiliate subsidiary.

c. Attempt or permit a real estate or insurance subsidiary to attempt to create the impression in its advertising or in any communication that the customers of the subsidiary shall have priority access to the funds of the financial institution or are entitled to preferential interest rates or other terms.

2. This section does not apply to the Iowa housing finance authority or a program operated pursuant to chapter 220.

Approved May 31, 1985