



IOWA HOUSE DEMOCRATS

BILL and Amendment SUMMARY

Foreclosure Timelines HF 2234

Status of Bill: Commerce Committee

Lead Democrat: Rep. McConkey

Committee: Commerce (14-9, House 57-29, Senate 47-2)

Floor Manager: Rep. Lundgren

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Background

Current law in Iowa allows for judicial foreclosure. In a judicial foreclosure process the lender must file a lawsuit in court to foreclose on the property. Only five states and Washington D.C don't have a judicial foreclosure law. Federal law mandates 120 day waiting period on foreclosures under Dodd-Frank. The 120 days does not count toward the length of time that is in state law.

Summary

This legislation proposes to shorten the time periods in which a foreclosures occurs and is processed.

Redemption By the Debtor

- Shortens the time on which a person can redeem their house from time of sale from 1 year to 6 months
- Shortens the time of exclusive right of redemption from 6 months to 3 months.

Redemption by Creditors

- Shortens the time periods when a bank or credit union can redeem the property if no redemption is made by the debtor from 9 months to 4 months.
- Shortens the time creditors can redeem from each other from 9 months to 4 months

Who Gets the Property

- The purchaser or creditor who last redeemed the property will hold the property absolutely within 4 months of the day of sale. Current law allows for 9 months. This happens unless the defendant or the debtor redeems.

Reduce Period of Redemption

- Currently a lender and the borrower can agree to reduce the period of redemption by the debtor after sale on the foreclosure can be reduced to 6 months, this would allow for that to be shortened to 3 months.
- The exclusive right of redemption would be reduced from 3 months to 1 month after sale.
- The time in which a creditor can redeem the property is reduced from 4 to 2 months.

Written Demands by the Debtor

- The bill also changes notice requirement for a foreclosure without redemption by shortening the time a sale can be delayed by a written demand from 12 months of entry of judgement to 6 months.
- If this petition includes a waiver of deficiency judgement the delay of sale is shortened from 6 months to 3 months.

Due on Sale Clause

- The length of time before a borrower can redeem the real property when a due on sale clause is enforced is shortened from 3 years to 18 months, including shortening the exclusive redemption rights from the first 30 months to the first 18 months.
- The period on which a creditor may redeem is shortened from 33 months to 16 months.

Amendment Summary

H-8264 Senate Amendment

This amendment strikes the shortening of the timelines for the Redemption of Debtors, Redemption of Creditors, and who gets the property that has last redeemed.

The amendment also changes language regarding an agreement to reduce period of redemption by allowing the period of redemption after sale to three months so long as the property is not used for agricultural purposes. If the land is used for agricultural purposes the redemption period remains 6 months.

The amendment also changes exclusive right of redemption for the debtor after the sale to two months, while the initial legislation changed it to only one month. Current law is three months.

The amendment also changes the exclusive right of redemption for the debtor to three months. The bill changed it to two months, while current law is three months.