

## Late Fees & Default Rates under the Iowa Code

The following guide details if late fees, default rates, post-maturity rates and prepayment penalties are allowed under the Iowa code for different types of loans.

| Loan Type  | Late Fee <sup>1</sup>   | Default Rate <sup>2</sup>  | Post-Maturity Rate <sup>3</sup>  | Prepayment Penalty <sup>4</sup>   |
|--|---|--|--|---|
| Consumer Purpose<br>Closed-end<br>1 <sup>st</sup> lien Mortgage Loan   | Permitted. Terms agreed to between creditor and borrower as stated in the mortgage documents.<br><a href="#">535B.12</a>                        | Not permitted or prohibited by Iowa Code as 1 <sup>st</sup> lien loans are exempt from the ICCC. | Permitted if detailed in the loan contract as a variable rate feature triggered at maturity and agreed to by borrower by signing contract. | Prohibited under Iowa Code <a href="#">535.9(2)</a>   |
| Consumer Purpose<br>Closed-end credit<br>Jr. Lien Real estate  | Permitted. Lesser of \$30 or 5% of unpaid amount not paid within ten days of due date.<br><a href="#">(537.2502)</a>                            | Prohibited under Iowa Code <a href="#">537.3402</a>  | Permitted if detailed in the loan contract as a variable rate feature triggered at maturity and agreed to by borrower by signing contract. | Prohibited under Iowa Code <a href="#">537.2509</a>   |
| Consumer Purpose<br>Closed-end credit<br>Non-real estate secured<br>Under ICCC threshold amount <sup>5</sup> | Permitted. Lesser of \$30 or 5% of unpaid amount not paid within ten days of due date.<br><a href="#">(537.2502)</a>                            | Prohibited under Iowa Code <a href="#">537.3402</a>  | Permitted if detailed in the loan contract as a variable rate feature triggered at maturity and agreed to by borrower by signing contract. | Prohibited under Iowa Code <a href="#">537.2509</a>   |
| Consumer Purpose<br>Open-end Credit<br>Real estate secured   | Permitted. Up to a maximum of \$30 if not paid in full by due date. <sup>6</sup><br><a href="#">535.10(3)(b)</a><br><a href="#">537.2502(4)</a> | Prohibited under Iowa Code <a href="#">537.3402</a>  | Permitted if detailed in the loan contract as a variable rate feature triggered at maturity and agreed to by borrower by signing contract. | Prohibited under Iowa Code <a href="#">537.2509</a>   |
| Consumer Purpose<br>Open-end Credit<br>Non-real estate secured<br>Below ICCC threshold amount                | Permitted. Up to a maximum of \$30 if not paid in full by due date. <sup>6</sup><br><a href="#">535.10(3)(b)</a><br><a href="#">537.2502(4)</a> | Prohibited under Iowa Code <a href="#">537.3402</a>  | Permitted if detailed in the loan contract as a variable rate feature triggered at maturity and agreed to by borrower by signing contract. | Prohibited under Iowa Code <a href="#">537.2509</a>   |
| Non-consumer Purpose<br>(Ag, Bus., Comm.)  | Permitted. Terms agreed to between creditor and borrower as stated in note.   | Permitted. Terms agreed to between creditor and borrower as stated in note.                      | Permitted. Terms agreed to between creditor and borrower.  | Permitted for loans to purchase or refinance agricultural land with a term over 5 years – otherwise not permitted for real estate secured loans 5 years or less in term pursuant to Iowa Code <a href="#">535.9</a> . Permitted for all unsecured or personal property secured Ag, Bus, and Commercial loans. |

<sup>1</sup>Late Fee: Fee charged when the full amount of the scheduled payment is not paid as agreed according to terms of the loan agreement.

<sup>2</sup>Default Rate: Interest rate increase imposed on a borrower when a regular payment is missed on a loan according to terms of the loan agreement.

<sup>3</sup>Post-Maturity Rate: Interest rate increase detailed in the loan agreement triggered when the full loan balance is not paid by maturity.

<sup>4</sup>Prepayment Penalty: Fee charged when borrower prepaids principal balance faster than according to the loan agreement.

<sup>5</sup>The ICCC threshold amount is equal to the Reg. Z threshold amount and adjusts annually. For 2022, the threshold amount is \$61,000. Loans in amount that exceed this threshold amount and are not secured by real property or a dwelling are outside the scope of the ICCC.

<sup>6</sup>537.2502(4) does not require nor prohibit the late fee on consumer open-end credit transactions be based upon a percentage of the past due payment amount. Creditors may charge a flat fee or may base the late fee on a percent of past due payment amount, provided using either method the late fee amount does not exceed \$30.