Fields of Opportunities

STATE OF IOWA

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IOWA DEPARTMENT OF COMMERCE
DIVISION OF CREDIT UNIONS
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Iowa Division of Credit Unions
Regulatory Advisory Bulletin

Real Estate Escrow Accounts:

Iowa state-chartered credit unions are provided the authority to "include in the loan documents signed by the borrower a provision requiring the borrower to pay the state credit union each month in addition to interest and principal under the note an amount equal to one-twelfth of the estimated annual real estate taxes, special assessments, hazard insurance premium, mortgage insurance premium, or any other payment agreed to by the borrower and the credit union in order to better secure the loan." Iowa Code § 533.315(4)(b).

The Real Estate Settlement Procedures Act (RESPA) permits a lender to include in the collection of each monthly payment of principal and interest, an amount equal to one-twelfth of the estimated taxes and assessments and premiums for hazard and mortgage insurance plus an additional one-sixth cushion of the estimated total annual disbursements from the escrow account. 12 C.F.R. § 1024.17(c).

Iowa state-chartered credit unions may choose to collect the additional one-sixth cushion (a total of two months of the estimated annual payments of real estate taxes, special assessments, and hazard and mortgage insurance premiums) on all eligible loans originated or refinanced, if the borrower and the credit union agree to the arrangement.

Federal requirements under RESPA require that this cushion remain on reserve in the account, and if at any time the total of the estimated payments held by the lender, together with the future monthly estimated payments prior to the due dates of such items, exceeds by more than one-sixth the estimated amount of payments required to pay such items when due, and if payments on the note are current, then the lender shall either refund the excess over the one-sixth of the estimated payments or credit the excess to subsequent payments by the borrower. 12 C.F.R. § 1024.17(f). "A state credit union receiving funds in escrow pursuant to an escrow agreement executed on or after July 1, 1982, in connection with a loan as defined in section 535.8, subsection 1, shall pay interest to the borrower on those funds, calculated on a daily basis, at the rate the state credit union pays to its members on ordinary savings deposits." Iowa Code § 533.315(4)(b).

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