

IN THE COURT OF APPEALS OF IOWA

No. 9-370 / 89-24

FILED

DEC 21 1989

CLERK SUPREME COURT

IRMA A. HEASLEY and GEORGE W. HEASLEY, Husband and Wife;
and GLENN E. DROEGE,

Appellees,

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vs.

JOHN H. SANDER and WAYNE C. SANDER; and R. BRADLEY
VANDENBERG and DAVID B. VANDENBERG,

Appellants.

Appeal from the Iowa District Court for Lee County,
Harlan W. Bainter, Judge.

This is an action to interpret and construe a
contract. The district court found in favor of plaintiffs
appellees and defendants appellants appeal. **AFFIRMED.**

R.L. Fehseke, Jr., of Fehseke Law Offices, Fort
Madison, for defendants-appellants.

Alanson K. Elgar and W. Kent Thomson, of Elgar Law
Office, Mount Pleasant, for plaintiffs-appellees.

Heard by Oxberger, C.J., and Donielson and Hayden, JJ.

PER CURIAM

Appellants appeal from a district court ruling that reformed language in the written real estate contracts between the parties to provide "the Federal Land Bank quote rate for Lee County," as found in the contract, meant "the Federal Land Bank base variable rate." They contend the district court erred in not reforming the contract to provide the interest rate should be based on the "AAA rate of the individual loan program offered by Federal Land Bank."

In 1982, the appellees sold their Lee County farm by public auction. The sale brochure, and contracts, provided for a ten-year term contract with a minimum of three percent per year principal payment after twenty percent down payment, and interest after the first year to be "a variable rate 2% less than Federal Land Bank quote rate." The appellants purchased the farm and began making payments.

In September 1985, the Federal Land Bank changed from providing one variable interest rate to providing for two interest rate programs. In October 1986, the Federal Land Bank provided an individual loan pricing program in addition to a variable rate loan program.

A dispute arose as to the appropriate Federal Land Bank interest rate to be applied.

Appellants argue the lowest rate, the AAA individual loan program rate, most accurately reflected the historically lower interest rate provided by the Federal Land Bank and the rate contemplated by the parties in 1982. The district court disagreed, and determined the Federal Land Bank's current base variable rate most accurately reflected the rate agreed to in 1982. We affirm the trial court.

Our scope of review is de novo. Iowa R. App. P. 4. In equity cases, especially when considering the credibility of witnesses, the court gives weight to the fact findings of the trial court, but is not bound by them. Iowa R. App. P. 14(7). In the construction of written contracts, the cardinal principle is that the intent of the parties must control; and except in cases of ambiguity, this is determined by what the contract itself says. Iowa R. App. P. 14(14).

Appellees sold their farm in two parcels. One parcel to the Sanders and the other parcel to the Vandenberg. Each parcel was sold under a separate contract. Each contract contained the following provision:

2. Interest. Buyers agree to pay interest from date of possession upon the unpaid balances, at the rate of 11% per cent per annum, payable annually, until March 1st, 1984. Thereafter the rate of interest shall be the variable rate of 2% less than the Federal Land Bank quote rate for Lee County, Iowa, on the payment due date.

In 1982, the Federal Land Bank had one variable interest rate. Mr. Michael Dickenson, assistant vice president of Farm Credit Services and the Federal Land Bank operation in Mt. Pleasant, Iowa, testified this variable interest rate fluctuated based on the average cost of money. He further testified this interest rate could vary as frequently as every thirty days. Harold Van Syoc testified he prepared appellee's sale bill and information sheet. He also testified he was familiar with the variable interest rate as fixed by the Federal Land Bank, and this was, in fact, the interest rate he was referring to in these two instruments. The purchasers likewise testified they also were familiar with the variable interest rate as charged by the Federal Land Bank, and both testified they believed this contract purchase at two percent less than the Federal Land Bank quote rate was favorable. The purchasers testified they fostered this latter opinion because historically the Federal Land Bank generally had the lowest interest rate for agricultural loans. At trial the appellees (sellers) testified they knew what the language in this provision meant.

On September 1, 1985, the Federal Land Bank started a "differential variable rate program." This program was initiated to attempt to charge an interest rate commensurate with the risk involved. In October of 1986, the differential variable rate program ceased, and the

Federal Land Bank commenced an individual loan pricing program, which was even further geared to assessing an interest rate to each loan which gave particular consideration of the bank's repayment position and security position.

The purchasers stated at trial and claim on appeal, given the criteria applied by the Federal Land Bank in determining the classification of borrowers for purposes of interest charges, they would be entitled to the most favorable rate. The Federal Land Bank now has multiple variable interest rates for borrowers, depending upon the risk involved, and they still maintain and identify a base variable interest rate which is exactly the same as the single variable rate which was in effect in 1982.

In interpreting the meaning of written instruments, the court must give effect to the intention of the parties in conformity with a reasonable application of circumstances under which the instrument was executed. See Pathology Consultants v. Gratton, 343 N.W.2d 428 (Iowa 1984).

The parties in this instance were dealing with the single variable interest rate which was in force in July of 1982. Dickenson testified this is the same identical rate as the "base variable rate" as set out in plaintiff's exhibit number seven, which is calculated by the Federal Land Bank based on the cost of money. The contract refers to a "Federal Land Bank quote rate for Lee County, Iowa."

We agree with the trial court the evidence here establishes this was, in fact, the base variable rate applied by the Federal Land Bank. We find no ambiguity in the interest provision of the contracts and affirm the trial court in all respects.

AFFIRMED.