

CHAPTER 220

BUILDING AND LOAN ASSOCIATIONS

H. F. 155

AN ACT to amend sections nine thousand three hundred nineteen (9319), nine thousand three hundred twenty-nine (9329), nine thousand three hundred forty-eight (9348), nine thousand three hundred eighty-two (9382), and twelve thousand seven hundred seventy-two (12772), code, 1935, all relating to building and loan associations and investments therein; to authorize such associations to insure members' investments in federal savings and loan insurance corporation; to provide for conversion of federal savings and loan associations into state associations; to prescribe plans, terms and conditions under which loans may be made and funds invested by such associations; to provide for associations' liens on shares of members and for enforcement thereof; to provide for publishing annual statements; to prescribe contents of annual statement to auditor of state; to provide for bonding employees and officers thereof; to specify classes of shares which may be issued; to limit their expenses; to make shares in federal savings and loan associations authorized investments for fiduciaries; to give the executive council authority to approve or disapprove of articles of incorporation and by-laws and grant or refuse permission to organize such associations and to provide for appeal from executive council's action; to authorize establishing proper reserves for losses before declaring dividends; and to repeal all laws in conflict therewith, and to repeal sections nine thousand three hundred fourteen (9314), nine thousand three hundred fifteen (9315), nine thousand three hundred thirty-three (9333), nine thousand three hundred thirty-six (9336), nine thousand three hundred thirty-nine (9339), nine thousand three hundred forty (9340), nine thousand three hundred forty-one (9341), nine thousand three hundred forty-seven (9347), nine thousand three hundred fifty (9350), and nine thousand three hundred sixty-five (9365), code, 1935, and to enact substitutes therefor.

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

1 SECTION 1. Section nine thousand three hundred twenty-nine
2 (9329), code, 1935, is hereby amended by striking out subparagraph
3 1 thereof and substituting in lieu thereof the following:

4 "1. To issue shares of stock to members to be paid for in single,
5 monthly, optional or irregular payments."

6 and by adding as subsection nine (9) thereof the following:

7 "9. Any such association may provide in its original or amended
8 articles of incorporation that stock shall be treated as issued in pro-
9 portion to the amounts paid in by and credited to members without re-
10 gard to any par value. Members holding such stock shall participate
11 in dividends in proportion to their respective investments therein, and
12 shall have one vote in person or by proxy for each one hundred dollars
13 or fraction thereof paid in and credited, but no person shall vote more
14 than ten per cent of the total paid in capital."

15 and by adding as subsection ten (10) thereof the following:

16 "10. Any such association shall have power to obtain, continue and
17 pay for insurance of its shares with Federal Savings and Loan In-
18 surance Corporation."

1 SEC. 2. Building and loan or savings and loan associations may be
2 effected by conversion of federal savings and loan associations as au-
3 thorized by the laws of the United States of America and regulations
4 made thereunder, subject to approval of the auditor of state. An ap-
5 plication for approval together with satisfactory proof that the re-
6 quired procedure authorizing conversion to a state association has
7 been taken shall be filed with the auditor of state who shall thereupon,
8 by examination of the applicant or otherwise, ascertain whether or

9 not the converting association is in good financial condition and is
10 honestly and efficiently managed and if his findings are favorable he
11 shall thereupon grant his approval of such conversion. The convert-
12 ing association shall then adopt and file articles of incorporation and
13 by-laws and otherwise comply with the provisions and requirements of
14 the laws of Iowa. Upon completion of conversion and organization
15 as a state association, all assets and properties theretofore belonging
16 to it as a federal association shall by operation of law pass to and
17 vest in it as a state association and all liabilities shall thereupon become
18 its liabilities as a state association. For the purpose of showing
19 devolution of titles, there shall be filed with the auditor of state and
20 with the recorder of the county in which the association's principal
21 place of business is located a report duly verified by the president and
22 the secretary showing that the required procedure for conversion has
23 been complied with.

1 SEC. 3. Sections nine thousand three hundred fourteen (9314),
2 nine thousand three hundred thirty-six (9336), nine thousand three
3 hundred thirty-nine (9339), nine thousand three hundred forty-one
4 (9341), nine thousand three hundred sixty-five (9365) and nine thou-
5 sand three hundred forty (9340), code, 1935, are hereby repealed and
6 there is enacted in lieu thereof the following:

7 "(a) The funds of a building and loan association not used or
8 needed for other authorized purposes shall be invested for the benefit
9 of its shareholders in loans to its members, according to the plan or
10 plans specified in its articles of incorporation, on the security of first
11 liens on real estate or on the security of liens on its own shares of stock,
12 or on both such securities.

13 "(b) Each loan secured only by real estate shall require the bor-
14 rower to make weekly, semi-monthly or monthly payments which shall
15 be applied first to pay the interest on the unpaid principal and the re-
16 mainder to reduce the unpaid principal of the debt.

17 "(c) Each loan secured by both lien on real estate and by shares of
18 an association's stock shall require the borrower to subscribe for and
19 pledge shares of stock in the association of par value at least equal
20 to the amount borrowed and to make weekly, semi-monthly or monthly
21 payments on such shares until the payments so made, together with
22 dividends credited thereto, have reached a value equal to his unpaid
23 indebtedness and thereupon such pledged shares shall be canceled and
24 the value thereof shall be applied in payment of the loan; provided,
25 however, that any such association may permit the borrower to with-
26 draw all or portions of the credits to such pledged shares periodically,
27 or whenever specified amounts have been accumulated thereon, and
28 apply the proceeds thereof as partial payments on such loan, or to
29 withdraw for such other purposes as may be approved by its board
30 of directors. Shares of stock subscribed for and pledged as above
31 provided and payments made thereon and dividends credited thereto
32 shall in no event be liable for losses sustained by the association and
33 in case of liquidation of the association such payments and dividends
34 shall be offset against and credited to reduce the borrower's indebt-
35 edness.

36 "(d) Each loan secured by lien on real estate or by both real estate
37 lien and association's stock shall provide for amortization of all the

38 principal within a period of not to exceed fifteen years and shall be
39 secured by a first mortgage on real estate consisting of residence prop-
40 erty or combination of residence and business property, and no such
41 loan shall be made in excess of twenty thousand dollars; provided,
42 however, that not to exceed ten per cent of an association's assets
43 may be loaned to members on the security of other improved real es-
44 tate and without regard to said twenty thousand dollars limitation.
45 Real estate securing loans shall be situated in the county in which the
46 principal place of business of the association is located, or in counties
47 immediately adjoining or abutting on such county. No real estate
48 loans shall be made except upon written signed appraisal reports made
49 by two or more competent persons selected by the association's board
50 of directors, either from or outside its membership, and such loans
51 shall not, when made, exceed seventy-five per cent of such appraised
52 value, and all loans must be approved by the board of directors, or a
53 committee thereof, and record made of such approvals; provided,
54 however, that loans insured by the Federal Housing Administration
55 may be made not in excess of eighty per cent of such appraised value
56 and for periods not to exceed twenty years. Loans made before this
57 act takes effect shall not be affected by its requirements.

58 "(e) If an association holds a first mortgage loan on real estate it
59 may make an additional loan or loans on the security of an additional
60 first lien mortgage or mortgages on the same property, provided the
61 aggregate unpaid principal of such mortgages does not exceed the per-
62 centage of the appraised value of the real estate authorized by law.

63 "(f) Loans may also be made upon the security of the pledges of
64 shares of the stock of the lending association held by the borrower, but
65 shall not be made in excess of ninety per cent of the fair value of such
66 pledged shares. No stock loans shall be made when applications for
67 withdrawals have been on file and unpaid for more than sixty days
68 because of lack of available funds, unless specifically authorized by the
69 board of directors.

70 "(g) Every such association shall at all times have a lien upon the
71 stock of a member as security for repayment of money loaned him
72 and as security for his other indebtedness to the association and such
73 lien shall attach and continue without assignment or pledge to or
74 possession by the association of any stock certificate evidencing such
75 stock ownership. Such lien may be enforced to satisfy any past due
76 indebtedness by charging such indebtedness to the debtor's share
77 credits.

78 "(h) A borrowing member shall not without permission of the
79 board of directors be permitted to offset against his indebtedness to
80 such association any stock of the association acquired directly or in-
81 directly from other members.

82 "(i) The rate or rates of interest, premium, commission and other
83 fees to be charged on loans made by such associations and the bases
84 on which different interest rates and charges shall be determined shall
85 from time to time be fixed by the by-laws of the association, but in-
86 terest charged shall not exceed the maximum interest rate authorized
87 by law.

88 "(j) The notes evidencing all loans shall be in non-negotiable form.

89 "(k) Any borrower not holding or subscribing for stock shall never-
90 theless be a member of such association and shall be entitled to one
91 vote at any shareholders' meeting."

1 SEC. 4. Any such association may invest an amount not to exceed
2 five per cent of its paid in capital stock in unincumbered real estate
3 for use wholly or partly as its business office.

1 SEC. 5. Section nine thousand three hundred thirty-three (9333),
2 code, 1935, is hereby amended to read as follows:

3 "It shall be the duty of the secretary of every such association doing
4 business in this state, before the 15th day of February of each year, to
5 prepare and mail to each shareholder a written or printed copy of its
6 statement of assets and liabilities as of the date of its annual closing
7 of its books for the preceding year, or in lieu of mailing such state-
8 ment it may be published in a newspaper of general circulation pub-
9 lished at the place of its home office, or if a newspaper is not published
10 at such place, then such statement may be published in any news-
11 paper of general circulation published in the county in which the home
12 office is situated."

1 SEC. 6. Section nine thousand three hundred nineteen (9319),
2 code, 1935, is hereby amended to read as follows:

3 "The officers and employees of any domestic building and loan or
4 savings and loan association who sign or indorse checks or handle
5 any funds or securities of such association shall give such bonds or
6 fidelity insurance as the board of directors may require; and no such
7 officer shall be deemed qualified to enter upon the duties of his office
8 until his bond is approved by the board of directors and by the auditor
9 of state. Such bonds shall be deposited and filed with the auditor of
10 state. Such associations may in connection with obtaining such bonds
11 or insurance acquire and hold membership in mutual insurance or
12 bonding companies."

1 SEC. 7. Section nine thousand three hundred forty-eight (9348),
2 code, 1935, is hereby amended by striking out subdivisions numbered
3 5 and 6, thereof, and substituting in lieu thereof the following:

4 "5. Associations with assets in excess of eight hundred thousand
5 dollars, one and one half per cent."

1 SEC. 8. Section nine thousand three hundred eighty-two (9382),
2 code, 1935, is hereby amended by striking out subdivision 5 thereof
3 and renumbering 6 and 7 to 5 and 6 respectively.

1 SEC. 9. Section twelve thousand seven hundred seventy-two
2 (12772), code, 1935, is hereby amended by striking out the period at
3 the end of paragraph numbered 10 thereof and adding the following:

4 "and in shares of federal savings and loan associations organized
5 under the laws of the United States of America."

1 SEC. 10. Section nine thousand three hundred fifteen (9315), code,
2 1935, is hereby repealed and there is enacted in lieu thereof the fol-
3 lowing:

4 "(a) The proposed articles of incorporation for any proposed new
5 association, together with proposed by-laws, shall be presented to the
6 auditor of state and by him submitted to the executive council and if
7 it finds that they are in conformity with the law and based upon a
8 plan equitable in all respects to its members, and further finds from
9 the best sources at its command and from such investigation as it may
10 deem necessary, that the proposed incorporators are persons of good

11 character, ability and responsibility ; that a reasonable necessity exists
 12 for such new institution in the community to be served ; that it can
 13 be established and operated without undue injury to existing local
 14 thrift and home financing institutions and that the proposed name of
 15 such institution is not similar to that of any other association operat-
 16 ing in the same community and is not misleading or deceitful, the ex-
 17 ecutive council shall attach thereto its certificate of approval and enter
 18 its approval of record, and thereupon such articles of incorporation
 19 shall be recorded in the office of the secretary of state and in the office
 20 of the recorder of the county in which the association's principal place
 21 of business is to be situated and then be filed in the office of the auditor
 22 of state who shall issue a certificate authorizing the association to
 23 transact business as a building and loan association.

24 " (b) If the executive council does not affirmatively find as to each
 25 and all of the said requirements it shall enter its disapproval of record
 26 together with a statement of its findings and conclusions and a certifi-
 27 cate of incorporation shall not be issued. Upon such disapproval the
 28 executive council shall, by registered mail, notify one, or all, of the
 29 proposed incorporators of its disapproval together with the reasons
 30 for such disapproval, and thereupon, the proposed incorporators, if
 31 not satisfied with such action, may within sixty days after the mail-
 32 ing of such notice appeal to the district court of Iowa in and for the
 33 county in which the principal place of business of the proposed as-
 34 sociation is to be located from such findings and disapproval by serv-
 35 ing a notice of such appeal upon the auditor of state, setting forth in
 36 general terms the decision appealed from and the grounds of the ap-
 37 appeal and by filing with the clerk of the said court, within such sixty
 38 days, a duly verified petition stating the facts and the grounds of com-
 39 plaint and having attached thereto a copy of the proposed articles of
 40 incorporation and by-laws and a copy of the findings and conclusions
 41 of the executive council. Such appeal shall be triable as a mandamus
 42 proceeding in equity and the findings and decisions of the executive
 43 council shall be binding upon the court unless overcome by clear and
 44 convincing proof. Any party aggrieved by the order, judgment or
 45 decree of the court may appeal therefrom to the supreme court of
 46 Iowa."

1 SEC. 11. Sections nine thousand three hundred forty-seven (9347)
 2 and nine thousand three hundred fifty (9350), code, 1935, are hereby
 3 repealed and the following enacted in lieu thereof:

4 "After making such provision as it deems advisable for absorbing
 5 immediate and possible future losses, the board of directors of such
 6 association shall annually, semi-annually or quarterly declare and ap-
 7 portion as a dividend to members, according to its articles of incor-
 8 poration, such portion of the association's net profits as it may deem
 9 available."

1 SEC. 12. All laws and parts of laws in conflict with this act are
 2 hereby repealed.

1 SEC. 13. If any section, subsection, clause, sentence or phrase of
 2 this act is for any reason held to be unconstitutional and invalid, such
 3 decision shall not affect the validity of the remaining portions of this
 4 act.

1 SEC. 14. This act being deemed of immediate importance shall be
 2 in full force and effect after its passage and publication in Algona
 3 Upper Des Moines, a newspaper published at Algona, Iowa, and the
 4 Cedar Rapids Gazette, a newspaper published at Cedar Rapids, Iowa.

House File 155. Approved April 3, 1937.

I hereby certify that the foregoing act was published in the Cedar Rapids Gazette,
 April 6, 1937, and the Algona Upper Des Moines, April 8, 1937.

ROBERT E. O'BRIAN, *Secretary of State.*

CHAPTER 221

BUILDING AND LOAN ASSOCIATIONS

S. F. 60

AN ACT to amend section nine thousand three hundred thirty (9330) of the code of
 1935, all relating to the issue of stock or shares by the state building and loan
 associations.

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

1 SECTION 1. Section nine thousand three hundred thirty (9330) of
 2 the code of 1935 is amended by adding the following language after
 3 the period following the word "assets":

4 "This limitation on the issue of stock shall not apply to shares issued
 5 to the Home Owners' Loan Corporation or to any other governmental
 6 agency or instrumentality".

1 SEC. 2. This act being deemed of immediate importance shall be
 2 in full force and effect after its publication in the Ottumwa Courier,
 3 a newspaper published at Ottumwa, Iowa, and the Fredericksburg
 4 News, a newspaper published at Fredericksburg, Iowa.

Senate File 60. Approved February 25, 1937.

I hereby certify that the foregoing act was published in the Ottumwa Courier, Febru-
 ary 27, 1937, and the Fredericksburg News, March 4, 1937.

ROBERT E. O'BRIAN, *Secretary of State.*

CHAPTER 222

UNFAIR DISCRIMINATION

H. F. 57

AN ACT to amend section ninety-eight hundred eighty-five (9885) of the code of 1935,
 relating to unfair discrimination, so as to include in the application thereof "com-
 mercial services".

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

1 SECTION 1. That section ninety-eight hundred eighty-five (9885)
 2 of the code of 1935, be amended by adding after the word "commerce"
 3 in the sixth (6th) line thereof, the following words: "or commer-
 4 cial services excepting those, the rate of which is now subject to con-
 5 trol of cities or towns or other governmental agency".

1 SEC. 2. Further amend section ninety-eight hundred eighty-five
 2 (9885) by adding after the word "commodity" in line ten (10), the