

CHAPTER 1253
FINANCIAL INSTITUTION REGULATION
S.F. 2300

AN ACT relating to the regulation of financial institutions.

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

Section 1. Section 524.706, subsection 1, paragraph a, Code 1981, is amended to read as follows:

a. An executive officer of a state bank may receive loans or extensions of credit from a state bank of which he the person is an executive officer, resulting in obligations as defined in section 524.904, subsection 1, not exceeding, in the aggregate:

(1) Such amount as the bank is permitted to lend pursuant to section 524.905, subsection 2, if, at the time such obligation is incurred, it is An amount secured by a first lien on a dwelling which is expected, after the obligation is incurred, to be owned by the executive officer and used by him as his the officer's residence, provided that at the time after the loan is made there is no other loan by the bank to the executive officer, under authority of this subparagraph, outstanding; and.

(2) An amount not exceeding an aggregate of twenty thousand dollars outstanding at any one time, to finance the education of a child or children of the executive officer; and.

(3) Any other loans or extensions of credit which in the aggregate do not at any one time exceed ten thousand dollars.

(4) Other amounts which do not, in the aggregate, exceed the principal amounts of time certificates of deposit in the bank which are held in the name of the executive officer, if repayment of the loan or credit amounts is at all times secured by pledge of the certificates. An interest in or portion of a time certificate of deposit does not satisfy the requirements of this subparagraph if that interest or portion is also pledged to secure the payment of a debt or obligation of any person other than the executive officer.

Sec. 2. Section 524.905, Code 1981, as amended by Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 173, section 5, is amended by striking the section and inserting in lieu thereof the following:

524.905 LOANS ON REAL PROPERTY. A state bank may make permanent loans, construction loans, or combined construction and permanent loans, secured by liens on real property, as authorized by rules adopted by the superintendent under chapter 17A. The rules shall include provisions as necessary to insure the safety and soundness of these loans, and to insure full and fair disclosure to borrowers of the effects of provisions in agreements for these loans, including provisions permitting change or adjustment of any terms of a loan, provisions permitting, requiring, or prohibiting repayment of a loan on a basis other than of equal periodic installments of interest plus principal over a fixed term, provisions imposing penalties for the borrower's noncompliance with requirements of a loan agreement, or provisions allowing or requiring a borrower to choose from alternative courses of action at any time during the effectiveness of a loan agreement.

A bank may include in the loan documents signed by the borrower a provision requiring the borrower to pay the bank 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 bank in order to better secure the loan. The bank shall be deemed to be acting in a fiduciary capacity with respect to these funds. A bank receiving funds in escrow pursuant to an escrow agreement executed on or after the effective date of this Act 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 bank pays to depositors of funds in ordinary savings accounts. A bank which maintains an escrow account in connection with any loan authorized by this section, whether or not the mortgage has been assigned to a third person, shall each year deliver to the mortgagor a written annual accounting of all transactions made with respect to the loan and escrow account.

Sec. 3. Section 524.1802, Code 1981, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. No bank holding company shall directly or indirectly acquire ownership or control of more than twenty-five percent of the voting shares of any savings and loan association, or the power to control in any manner the election of a majority of the directors of any savings and loan association, if upon such acquisition the associations so owned or controlled by the bank holding company would have, in the aggregate, more than eight percent of the total deposits, both time and demand, of all associations in this state, as determined by the superintendent on the basis of the most recent reports of the associations in the state to their supervisory authorities which are available at the time of the acquisition.

Sec. 4. Section 533.4, subsection 21, Code 1981, is amended to read as follows:

21. ~~Notwithstanding the provisions of section 533.16, subsection 4, a~~ A credit union may take a second mortgage on real property to secure a loan made by the credit union, ~~subject pursuant to rules promulgated~~ adopted by the administrator.

Sec. 5. Section 533.16, subsection 4, Code 1981, is amended by striking the subsection and inserting in lieu thereof the following:

4. A credit union may make permanent loans, construction loans, or combined construction and permanent loans, secured by liens on real property, as authorized by rules adopted by the administrator under chapter 17A. These rules shall contain provisions as necessary to insure the safety and soundness of these loans, and to insure full and fair disclosure to borrowers of the effects of provisions in agreements for these loans, including provisions permitting change or adjustment of any terms of a loan, provisions permitting, requiring, or prohibiting repayment of a loan on a basis other than of equal periodic installments of interest plus principal over a fixed term, provisions imposing penalties for the borrower's noncompliance with requirements of a loan agreement, or provisions allowing or requiring a borrower to choose from alternative courses of action at any time during the effectiveness of a loan agreement.

A credit union may include in the loan documents signed by the borrower a provision requiring the borrower to pay the 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. The credit union shall be deemed to be acting in a fiduciary capacity with respect to these funds. A credit union receiving funds in escrow pursuant to an escrow agreement executed on or after the effective date of this Act 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 credit union pays to its members on ordinary savings deposits. A credit union which maintains an escrow account in connection with any loan authorized by this subsection, whether or

not the mortgage has been assigned to a third person, shall each year deliver to the mortgagor a written annual accounting of all transactions made with respect to the loan and escrow account.

Sec. 6. Section 534.2, subsection 1, Code 1981, is amended by striking the subsection and inserting in lieu thereof the following:

1. "Association" or "state association" means a corporation holding a certificate of authority to operate under this chapter as either a mutual association or a stock association.

Sec. 7. Section 534.2, subsection 7, Code 1981, is amended by striking the subsection and inserting in lieu thereof the following:

7. "Insured", when used in conjunction with the words "association", "state association", "foreign association", or "federal association", means an institution whose deposits are insured in part by the federal savings and loan insurance corporation.

Sec. 8. Section 534.2, Code 1981, is amended by adding the following new subsections:

NEW SUBSECTION. "Bank" means any person who is authorized under chapter 524 to engage in the business of banking in this state.

NEW SUBSECTION. "Bank holding company" means a bank holding company as defined in section 524.1801 that is authorized under chapter 524, division XVIII, to do business in this state as a bank holding company.

NEW SUBSECTION. "Federal association" means a corporation operating under the federal Home Owners' Loan Act of 1933 as either a mutual association or a stock association.

NEW SUBSECTION. "Association holding company" means a person other than an individual that directly or indirectly owns, controls or votes more than twenty-five percent of any class of voting stock of a stock association or that controls in any manner the election of a majority of the directors of a stock association or mutual association.

NEW SUBSECTION. "Mutual association" means a corporation organized on a mutual ownership basis without shareholders.

NEW SUBSECTION. "Residential real estate" means real estate on which there is located, or will be located following the construction of improvements pursuant to a real estate loan, a structure or structures designed or used primarily to provide living accommodations for people, except structures which are designed to primarily provide accommodations to transients.

NEW SUBSECTION. "Savings account" means a deposit account in a stock association or mutual association or a withdrawable share account or time share account in a mutual association.

NEW SUBSECTION. "Service corporation" means a corporation which is organized under chapter 496A and which is owned in any part by one or more state associations or federal associations or a combination of these.

NEW SUBSECTION. "Stock association" means a corporation owned by shareholders.

NEW SUBSECTION. "Supervised organization" means an association, association holding company, service corporation, licensed foreign association, or a subsidiary of an association, holding company, service corporation, or licensed foreign association.

NEW SUBSECTION. "Superintendent" means the superintendent of banking.

Sec. 9. Section 534.5, subsection 1, Code 1981, as amended by Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 175, section 1, is amended to read as follows:

1. **EXCLUSIVENESS OF ACCESS.** Every member shall have the right to inspect such books and records of an association as pertain to the member's loan or savings investment. Otherwise, the right of inspection and examination of the books and records shall be limited (a) to the supervisor or a duly authorized representative as provided in this chapter (b) to persons duly authorized to act for the association, and (c) to any federal instrumentality or agency

authorized to inspect or examine the books and records of an insured association or of an uninsured member by the federal home loan bank. The accounts and loans of members shall be kept confidential by the association, its directors, officers and employees, and by the supervisor and the supervisor's examiners and representatives, provided that the association may, upon receipt of the written consent of a member, furnish information concerning that member's loans and savings investments to a person who the association has reason to believe intends to use the information in connection with a credit transaction involving the member on whom the information is to be furnished and involving the extension of credit to, or review or collection of an account of, the member. No member or any other person shall have access to the books and records or shall possess a partial or complete list of the members except upon express action and authority of the board of directors. Every association shall compile prior to its annual meeting, and shall make available to any member upon request of the member, a list by name of the aggregate remuneration paid by the association during the preceding fiscal year to each of the association's five highest paid officers and to each director of the association.

Sec. 10. Section 534.11, Code 1981, as amended by Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 175, section 2, is amended to read as follows:

534.11 SHARE SAVINGS ACCOUNTS.

1. OWNERSHIP. Share Savings accounts may be opened and held solely and absolutely in his the person's own right by, or in trust for, any person, including an adult or minor individual, male or female, single or married, a partnership, association, fiduciary corporation, or political subdivision or public or government unit or any other corporation or legal entity. Share Savings accounts shall be represented only by the account of each share savings account holder on the books of the association, and shall be transferable only on the books of the association and upon proper application by the transferee and upon acceptance of the transferee as a member savings account holder upon terms approved by the board of directors. The association may treat the holder of record of a share savings account as the owner thereof for all purposes without being affected by any notice to the contrary unless the association has acknowledged in writing notice of a pledge of such share the savings account.

2. EVIDENCE OF OWNERSHIP. An account book may be issued to each share savings account holder on the books of the association and such the account book shall, if issued, indicate the withdrawal value of the share account. A separate certificate for a share savings account may be issued in lieu of an account book in form to be approved by the supervisor.

3. DUPLICATE ACCOUNT BOOKS AND CERTIFICATES. Upon the filing with an association by any one of the holders of record as shown by the books of the association, or by his the holder's legal representative, of an affidavit to the effect that the account book or certificate evidencing his share a savings account with the association has been lost or destroyed, and that such the account book or certificate has not been pledged or assigned in whole or in part, such the association shall issue a new account book or certificate in the name of the holder or holders of record, such the replacement book stating or certificate disclosing that it is issued in lieu of one lost or destroyed, and the association shall in no way be liable thereafter on account of the original account book or certificate, provided that the board of directors shall, if in its judgment it is necessary, require a bond in an amount it deems sufficient to indemnify the association against any loss which might result from the issuance of such the new account book or certificate.

4. MINORS. An association and any a federal savings and loan association may issue share accounts a savings account to any minor as the sole and absolute owner of such share the account, and pay withdrawals and act with respect to such accounts the account on the order of such the minor. Any payment or delivery of rights to any minor, or a receipt of acquittance

signed by a minor, who holds a share savings account, shall be a valid and sufficient release and discharge of such the institution for any payment so made or delivery of right to such the minor. In the case of a minor, the receipt, acquittance or other action required by the institution to be taken by the minor shall be binding upon such the minor with like effect as if he the minor were of full age and legal capacity. The parent or guardian of such a minor shall not in his the capacity as of parent or guardian have the power to attach or in any manner to transfer any share savings account issued to or in the name of such the minor, provided, however, that in the event of the death of such the minor the receipt of acquittance of either parent or of a person standing in loco parentis to such the minor shall be a valid and sufficient discharge of such the institution for any sum or sums not exceeding the aggregate one thousand dollars in the aggregate unless the minor shall have previously has given written notice to the institution not to accept the signature of such the parent or person.

5. JOINT ACCOUNTS. When a share savings account is opened in any association or federal savings and loan association in the name of two or more persons, whether minor or adult, in such form that the moneys in the account are payable to either or the survivor or survivors then such the account and all additions thereto shall be the property of such those persons as joint tenants. The moneys in such the account may be paid to or on the order of any one of such persons them during their lifetimes or to or on the order of any one of the survivors of them after the death of any one or more of them upon presentation of the pass or account book or other evidence of ownership as required by the articles or bylaws of the association. The opening of the account in such form shall, in the absence of fraud or undue influence, be conclusive evidence in any act or proceedings to which either the association or the surviving party or parties is a party, of the intention of all of the parties to the account to vest title to such the account and the additions thereto in such the survivor or survivors. By written instructions given to the institution by all the parties to the account, the signatures of more than one of such the persons during their lifetime or of more than one of the survivors after the death of any one of them may be required on any check, receipt or withdrawal order, in which case the institution shall pay the moneys in the account only in accordance with such the instructions, but ~~no~~ such instructions of the parties shall not in any event limit the right of the survivor or survivors to receive the moneys in the account.

Payment of all or any of the moneys in such an account as provided in the preceding paragraph of this section subsection shall discharge the institution from liability with respect to the moneys so paid, prior to receipt by the institution of a written notice from any one of them the parties directing the institution not to permit withdrawals in accordance with the terms of the account or the instructions. After receipt of such a notice an institution may refuse, without liability to honor any check, receipt, or withdrawal order on the account pending determination of the rights of the parties. ~~No~~ An institution paying any survivor in accordance with the provisions of this subsection shall thereby not be liable as a result of that action for any estate, inheritance or succession taxes which may be due this state.

6. PLEDGE TO ASSOCIATION OF SHARE SAVINGS ACCOUNT IN JOINT TENANCY. The pledge to any association or federal savings and loan association of all or part of a share savings account in joint tenancy signed by that person or those persons who are authorized in writing to make withdrawals from the account shall, unless the terms of the share savings account provide specifically to the contrary, be a valid pledge and transfer to the association of that part of the account pledged, and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account.

7. ACCOUNTS OF ADMINISTRATORS, EXECUTORS, GUARDIANS, CUSTODIANS, TRUSTEES AND OTHER FIDUCIARIES. Any association or federal savings and loan association may accept share savings accounts in the name of any administrator, custodian, executor, guardian, trustee, or other fiduciary in trust for a named beneficiary or beneficiaries,

or other fiduciary in trust for a specified class of unnamed beneficiaries. Any such The fiduciary shall have power to vote as a member as if the membership were held absolutely, to open and to make additions to, and to withdraw any such the account in whole or in part. The withdrawal value of such the accounts, and dividends thereon, or other rights relating thereto may be paid or delivered, in whole or in part to such the fiduciary without regard to any notice to the contrary as long as such the fiduciary is living. The payment or delivery to any such the fiduciary or a receipt or acquittance signed by any such the fiduciary to whom any such the payment or any such delivery of rights is made shall be a valid and sufficient release and discharge of an the institution for the payment or delivery so made. Whenever a person holding an account in a fiduciary capacity dies and no written notice of the revocation or termination of the fiduciary relationship shall have has been given to an institution and the institution has no notice of any other disposition of the beneficial estate, the withdrawal value of such the account and dividends thereon on the account, or other rights relating thereto to the account may, at the option of an institution, be paid or delivered, in whole or in part, to the beneficiary or beneficiaries. Whenever an account shall be is opened by any person, describing himself the person in opening such the account as trustee for another, and no other or further notice of the existence and terms of a legal and valid trust then such than that description shall have has been given in writing to such the association, in the event of the death of the person so described as trustee, the withdrawal value of such the account or any part thereof, together with the dividends or interest thereon on the account, may be paid to the person for whom the account was thus stated to have been opened, and such the account and all additions thereto shall be the property of such that person. The payment or delivery to any such beneficiary, beneficiaries or designated that person, or a receipt or acquittance signed by such beneficiary, beneficiaries or designated that person for any such payment or delivery shall be a valid and sufficient release and discharge of an the institution for the payment or delivery so made. No An institution paying any such a fiduciary or beneficiary in accordance with the provisions of this subsection shall thereby not be liable as a result of that action for any estate, inheritance or succession taxes which may be due this state.

8. PAY ON DEATH ACCOUNTS. Any association and any federal savings and loan association may issue share savings accounts in the name of one or more persons with the provision that upon the death of the owner or owners thereof the proceeds thereof shall be the property of the person or persons designated by the owner or owners and shown by the record of such the association, but such the proceeds shall be subject to the debts of the decedent and the payment of Iowa inheritance tax, if any, provided, however, that six months after the date of the death of the owner the receipt or acquittance of the person so designated shall be a valid and sufficient release and discharge of such the association for the delivery of such share the savings account or the payment so made.

9. POWERS OF ATTORNEY OR SHARE ON SAVINGS ACCOUNT. Any association or federal savings and loan association may continue to recognize the authority of an attorney authorized in writing to manage or to make withdrawals either in whole or in part from the share a savings account of a member until it receives written notice or is on clear actual notice of the revocation of his the attorney's authority. For the purpose of this subsection, written notice of the death or adjudication of incompetency of such member shall constitute the savings account holder constitutes written notice of revocation of the authority of his the attorney. No such An institution shall not be liable for damages, penalty or tax by reason of any payment made pursuant to this subsection.

10. SHARE SAVINGS ACCOUNTS AS LEGAL INVESTMENTS. Administrators, executors, custodians, guardians, trustees, and other fiduciaries of every kind and nature, insurance companies, business and manufacturing companies, banks, credit unions and all other

types of financial institutions, charitable, educational, eleemosynary and public corporations and organizations, and municipalities and other public corporations and bodies, and public officials hereby are specifically authorized and empowered to invest funds held by them, without any order of any court in share or deposit accounts or time certificates of deposit of insured savings associations which are under state supervision, or federal savings and loan associations organized under the laws of the United States and under federal supervision, and such the investment shall be deemed and held to be a legal investments for such investment of the funds.

Whenever, under the laws of this state or otherwise, a deposit of securities is required for any purpose, the securities made legal investments by this section subsection shall be acceptable for such deposits that deposit, and whenever, under the laws of this state or otherwise, a bond is required with security such the bond may be furnished, and the securities made legal investments by this section subsection in the amount of such the bond, when deposited therewith, shall be acceptable as security without other security.

The provisions of this section subsection are supplemental to any and all other laws relating to and declaring what shall be legal investments for the persons, corporations, organizations, and officials referred to in this section subsection and the laws relating to the deposit of securities and the making and filing of bonds for any purpose.

11. NEGOTIABLE ORDER OF WITHDRAWAL NOW ACCOUNTS. Associations may offer accounts under which account owners may order or authorize the withdrawal of a specified amount of the account by means of cash or a negotiable or nonnegotiable check or similar instrument payable to the account owner or to third parties or their order for the benefit of the account owner. However, this authority is available only for periods of time when federally chartered savings and loan associations operating in this state are granted similar authority, and the state authorization is subject to the rights and limitations imposed upon the federally chartered associations for this type of activity. An association may offer savings accounts under which the owner of the account may order or authorize the withdrawal of part or all of the savings account by means of a negotiable or nonnegotiable draft or similar instrument payable to the owner or to third parties or their order.

12. DEPOSIT ACCOUNTS. A stock association or mutual association may receive money for deposit.

13. SHARE ACCOUNTS. A mutual association may receive money to be held in withdrawable share accounts and time share accounts.

14. TERMS AND CONDITIONS. An association shall establish the interest rate, method of computing interest, service charges, and other terms and conditions of each type of savings account it will accept. These terms and conditions shall be consistent with this chapter, and shall be applied equally to all similar accounts. An association shall furnish a copy of the terms and conditions of a savings account upon request. An association shall give reasonable notice of any change in the terms and conditions to the owners of each type of savings account which is changed, provided that notice of changes in interest rates or methods of computing interest may be provided by posting a conspicuous notice of the change in each of the association's offices. The terms and conditions of an account established for a specified time period cannot be changed during that time period except with mutual consent or according to the original terms.

15. INDUCEMENTS. An association may give inducements for the opening of a savings account or the making of additions to a savings account.

Sec. 11. Section 534.12, subsection 1, Code 1981, is amended to read as follows:

1. VOTING. Each member shall have one vote for each one hundred dollars of net equity above share loans in his or her share account owned and held by him or her at any election, and

may vote the same by proxy, but no person shall vote more than ten percent of the savings liability at the time of said election excepting that proxies held and voted by an individual member or a proxy committee shall not be included in said ten percent limitation. Every proxy shall be in writing and shall, unless otherwise specified in the proxy, continue in force for eleven months from the date thereof, provided that upon receipt of a written request for a new proxy solicitation that is signed by at least two percent of the members of the association, all proxies executed prior to the date of receipt of the written request shall be void upon the expiration of sixty days following the date of receipt of the written request. No proxies shall be voted at any meeting unless such proxies have been on file with the secretary of the association for verification at least five days before the date of the meeting. Anyone depositing or transferring savings as collateral security shall be deemed the owner of such share account within the meaning of this section. Notice of the regular annual meeting of members of an association shall be given by publishing said notice in a newspaper of general circulation in the county in which the office of said association is located at least thirty days before the date set for said annual meeting. Proxies may be revoked by any member upon written notice to the secretary of an association; by execution of a written proxy to another agent; or by personal attendance by the member at the members' meetings. Each member as defined by section 534.2, subsection 8, shall, regardless of shares, be entitled to at least one vote at any members' meeting.

Sec. 12. Section 534.12, subsections 3 and 4, Code 1981, are amended to read as follows:

3. ASSOCIATION LIEN ON SHARE SAVINGS ACCOUNTS. Every ~~such~~ association shall at all times have a lien upon the savings accounts of a ~~member savings account holder~~ as security for repayment of money loaned him to the person and as security for his other indebtedness of the person to the association and ~~such the~~ lien shall attach and continue without assignment or pledge to or possession by the association of any evidence of ~~such~~ ownership. Such The lien may be enforced to satisfy any past due indebtedness by charging ~~such the~~ indebtedness to the debtor's share savings account.

4. REDEMPTION. At any time funds are on hand for the purpose the association shall have the right to redeem by lot or otherwise, as the board of directors may determine, all or any part of any of its ~~share account~~ savings accounts on a dividend date by giving thirty days' notice by registered mail addressed to the account holders at their last addresses recorded on the books of the association. ~~No~~ An association shall not redeem any of its share accounts when the association is in an impaired condition or when it has applications for withdrawal which have been on file more than thirty days and have not been reached for payment. The redemption price of ~~share accounts redeemed~~ a savings account shall be the full value of the account redeemed, as determined by the board of directors, but in no event shall the redemption value be less than the withdrawal value. If the ~~aforsaid~~ notice of redemption ~~shall have been duly has been~~ given, and if on or before the redemption date the funds necessary for ~~such the~~ redemption shall have been set aside so as to be and continue to be available therefor for redemptions, dividends upon the accounts called for redemption shall cease to accrue from and after the dividend date specified as the redemption date, and all rights with respect to ~~such those~~ accounts shall forthwith, after such redemption date, terminate as of the redemption date, except subject only to the right of the account holder of record to receive the redemption value without interest. All share savings accounts which have been validly called for redemption must be tendered for payment within ten years from the date of redemption designated in the redemption notice, ~~otherwise or~~ they shall be canceled and forfeited for the use of the school fund of the county in which the association has its principal place of business and all claims of ~~such the~~ account holders against the association shall be barred forever. Redemption shall not be made, however, of ~~such share any~~ savings accounts which are held by a member-director person who is a director and which are necessary to qualify his acting the person to act as director.

Sec. 13. Section 534.19, Code 1981, is amended by adding the following new subsections:

NEW SUBSECTION. DIVIDENDS ON CAPITAL STOCK. A stock association may declare and pay dividends on capital stock in cash or property out of the unreserved and unrestricted earned surplus of the stock association, or in its own shares, except when the stock association is in an impaired condition or when the payment thereof would cause the stock association to be in an impaired condition. A split-up or division of the issued shares of capital stock into a greater number of shares without increasing the stated capital of the stock association is authorized, and shall not be construed to be a dividend within the meaning of this subsection.

NEW SUBSECTION. TAX AND LOAN ACCOUNTS. To act as depository for receipt of payments of federal or state taxes and loan funds from persons other than the state or subdivisions, agencies or instrumentalities of the state, and satisfy any federal or state statutory or regulatory requirements in connection therewith, including pledging of assets as collateral, payment of earnings at prescribed rates and, notwithstanding any other provision of this chapter, issuing such accounts subject to the right of immediate withdrawal.

NEW SUBSECTION. LEASING OF PERSONAL PROPERTY. To acquire, upon the specific request of and for the use of a customer, and lease, personal property pursuant to a binding arrangement for the leasing of the property to the customer upon terms requiring payment to the association, during the minimum period of the lease, of rentals which in the aggregate, when added to the estimated tax benefits to the association resulting from the ownership of the leased property plus the estimated residual market value of the leased property at the expiration of the initial term of the lease, will be at least equal to the total expenditures by the association for, and in connection with, the acquisition, ownership, maintenance, and protection of the property. A lease made under authority of this section shall have the prior approval of the supervisor or be made pursuant to personal property lease guidelines approved by the supervisor for use by the lessor association or pursuant to a personal property lease guideline rule of general applicability for use by all associations.

Sec. 14. Section 534.19, subsection 15, Code 1981, is amended to read as follows:

15. **SERVICE CORPORATIONS.** Any association shall have the power to may organize and own, alone or with any other similar corporation, a service corporation for the mutual good of ~~said corporations the associations.~~ An association may invest in capital stock, obligations, or other securities of service corporations in an amount not to exceed five percent of the association's assets. The supervisor of state chartered associations shall have the right to examine ~~said~~ service corporations.

Sec. 15. Section 534.17, subsection 1, Code 1981, is amended to read as follows:

1. ~~In securities without limit, An association may invest without limit, except as expressly stated, in the following securities:~~ An association may invest without limit, except as expressly stated, in the following securities: (1) in obligations of, or obligations which are guaranteed as to principal and interest by, the United States or this state; (2) in stock of a federal home loan bank of which it is eligible to be a member, and in any obligation or consolidated obligations of any federal home loan bank or banks; (3) in stock or obligations of the federal savings and loan insurance corporation; (4) in stock, ~~or obligations, or other instruments of a the federal national mortgage association, the government national mortgage association, the federal home loan mortgage corporation,~~ or other instruments of a the federal national mortgage association, the government national mortgage association, the federal home loan mortgage corporation, or any successor ~~or successors thereto;~~ (5) in demand, time or savings deposits, in bankers acceptances with any bank or trust company the deposits of which are insured by the federal deposit insurance corporation; (6) in stock or obligations of any corporation or agency of the United States or this state, or in deposits therewith to the extent that such corporation or agency assists in furthering or facilitating the association's purposes or powers; (7) in ~~share savings~~ share savings accounts of any association operating under the provisions of this chapter and of any federal savings and loan association; (8) in bonds, notes, or other evidences

of indebtedness which are a general obligation of any city, village, county, school district, or other municipal or political subdivision so long as the total investment in such corporation does not exceed five percent of the assets of said the association. ~~Any of said, except that any of these investments which are securities or obligations which are evidence of first mortgage liens on real estate are exempt from the above five percent limitation;~~ (9) in bonds secured by an interest in real estate; (10) in capital stock, obligations, or other securities of service corporations, provided that the aggregate investment in service corporations shall not exceed five percent of the assets of the association at any time prior to July 1, 1983, or six percent of assets on or after July 1, 1983 and prior to July 1, 1984, or seven percent of assets on or after July 1, 1984, and prior to July 1, 1985, or eight percent of assets on or after July 1, 1985 and prior to July 1, 1986, or nine percent of assets on or after July 1, 1986 and prior to July 1, 1987, or ten percent of assets at any time on or after July 1, 1987; and (11) in an open end management investment company registered under the federal Investment Company Act of 1940, the portfolio of which is restricted to investments in which an association may invest.

Sec. 16. Section 534.23, subsection 1, Code 1981, is amended to read as follows:

1. SCHOOL SAVINGS. An association ~~shall have power to may~~ contract with the proper authorities of any public or nonpublic elementary or secondary school or other institution of higher learning, or any public or charitable institution caring for minors, for the participation and implementation by the association in any school or institutional thrift or savings plan, and it may accept ~~share~~ savings accounts at ~~such a~~ the school or institution, either by its own collector or by any representative of the school or institution which becomes the agent of the association for ~~such~~ that purpose.

Sec. 17. Section 534.41, subsection 2, unnumbered paragraph 1, Code 1981, is amended by striking the unnumbered paragraph and inserting in lieu thereof the following:

The supervisor has general supervision over all supervised organizations.

Sec. 18. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. GENERAL LENDING POWERS. An association may, subject to any applicable restrictions under this chapter and rules adopted by the supervisor, loan money, extend credit, discount or purchase the vendor's interest in real estate contracts, and discount or purchase other evidences of indebtedness and agreements for the payment of money.

Sec. 19. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. LIMITATION ON POWERS.

1. A service corporation shall not make a commercial loan or accept a commercial NOW account except during those periods of time, if any, when federal service corporations are granted and can exercise similar authority under a federal statute or regulation, and the state authorization is subject to the conditions and limitations imposed upon federal service corporations for a similar activity. Except as provided in this section, an association shall not make a commercial loan or accept a commercial NOW account except during those periods of time, if any, when federal associations are granted and can exercise similar authority under federal statute or regulation, and the state authorization is subject to the conditions and limitations imposed upon federal associations for similar activity. However, an association may make commercial loans and accept commercial NOW accounts under the restrictions contained in subsections 2 and 3 without regard to the authority granted federal associations.

2. As an annual average, based on monthly computations, an association may hold not more than one percent of its assets in commercial loans, provided that this limitation shall increase to two percent of assets on July 1, 1983, to three percent of assets on July 1, 1984, to four percent of assets on July 1, 1985, and to five percent of assets on July 1, 1986, but further provided that commencing on the effective date of any federal statute or federal rule or regulation

removing all limitations or controls on the rates of interest that may be paid by banks and savings and loan associations on savings accounts, an association may hold not more than ten percent of its assets in commercial loans.

3. An association may accept a commercial NOW account only from a person who at the time the account is opened has a commercial loan from the association.

4. In addition to other conditions or restrictions, an association that operates one or more branch offices shall not make a commercial loan or accept a commercial NOW account unless all of those office locations are at places which a bank would be authorized under section 524.1202 to apply for and have approved as bank offices, provided that this subsection does not require an association to close any office if the total number of the association's offices does not exceed the number of offices in existence and operating on the effective date of this Act plus the number of offices in existence and operating on the effective date of this Act of any other state association or federal association with which the association merges on or after the effective date of this Act. This subsection does not apply to an association that makes only those commercial loans and that accepts only those commercial NOW accounts which the association could make or accept if it were a federal association, subject to any provisions, conditions or limitations relating to or imposed upon federal associations in connection with the activity.

5. For purposes of this section a "commercial loan" is a loan to a person borrowing money for a business or agricultural purpose. As used in this paragraph, "agricultural purpose" means as defined in section 535.13; and "business purpose" includes but is not limited to a commercial, service or industrial enterprise carried on for profit, and any investment activity. However "commercial loan" does not include a loan secured by an interest in real estate for the purpose of financing the acquisition of real estate or the construction of improvements on real estate. In determining which loans are "commercial loans" the rules of construction stated in Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 177, section 1, subsection 1, paragraph f, subparagraphs (1), (2), (3) and (4) shall apply.

6. For purposes of this section a "commercial NOW account" is a NOW account on which an association was prohibited from paying interest on the effective date of this Act by federal statutes or regulations. As used in this paragraph a "NOW account" is a savings account authorized by section 534.11, subsection 11, as amended by this Act.

7. For purposes of this section a lease of personal property shall be treated as a commercial loan if a loan to the lessee to acquire the property would have been a commercial loan.

Sec. 20. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. SOUND LENDING STANDARDS. An association shall not make a loan unless it first has determined that the loan is authorized by this chapter, and that the type, amount, purpose, and repayment provisions of the loan in relation to the borrower's resources, credit standing and any collateral securing repayment of the loan support the reasonable belief that the loan will be financially sound and will be repaid according to its terms.

Sec. 21. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. COMMITMENT TO RESIDENTIAL LOANS.

1. **COMMITMENT.** As an annual average, based on monthly computations, an association shall hold at least sixty percent of its assets in the following types of assets:

a. Loans secured by first liens or first claims on residential real estate, participation interests in groups of loans secured by first liens or first claims on residential real estate, securities that are secured by groups of loans secured by first liens or first claims on residential real estate, or property improvement loans for the making of improvements upon residential real property, or a combination of these.

b. Cash.

c. Obligations of the United States or of a state or political subdivision of a state, and stock or obligations of a corporation which is an instrumentality of the United States or of a state or political subdivision of a state, but not including obligations the interest on which is excludable from gross income under section 103 of the Internal Revenue Code of 1954.

d. Certificates of deposit in, or obligations of, a corporation organized under a state law which specifically authorizes such corporation to insure the deposits or share accounts of member associations.

e. Loans secured by a deposit or share of a member.

f. Property acquired through the liquidation of default loans.

g. Property used by the association in the conduct of its business under this chapter.

2. **FAILURE TO MEET COMMITMENT.** If, upon examination, the supervisor determines that an association has failed to meet the requirements of subsection 1 for any two of its preceding five fiscal years, the association shall be so notified in writing, with a copy of the notice to the superintendent of banking, and the association shall within ninety days following receipt of the notice do one of the following:

a. Establish to the satisfaction of the supervisor that at least sixty percent of the current amount of its assets are held in the types of assets referred to in subsection 1. If the association subsequently fails to meet the requirements of subsection 1 during any one of the three fiscal years following the fiscal year in which the second violation in five years occurred, then the association shall within ninety days following receipt of a notice of this violation take one of the actions specified in paragraph b, c, d, or e.

b. File a plan of merger to merge with another state association whose assets are such that the two associations would have met the requirements of subsection 1 on a consolidated basis during at least four of the five preceding years.

c. File a plan of merger with a federal association or a bank under which the resulting organization is not a state association.

d. File a plan of conversion to become a federal association or a bank.

e. File a plan of conversion that provides both for conversion to a stock association and for the immediate conversion of the resulting stock association to a bank.

3. **FAILURE TO RESOLVE PROBLEM.** If an association fails to take one of the actions required by subsection 2, or fails to complete the plan of merger or conversion within nine months after receiving the notice specified in subsection 2, the supervisor shall appoint a conservator to operate the association in conformance with subsection 1 or a receiver to liquidate the association.

Sec. 22. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. REAL ESTATE LOANS. An association may make permanent loans, construction loans, or combined construction and permanent loans, secured by liens on real property, as authorized by rules adopted by the supervisor under chapter 17A. These rules shall contain provisions as necessary to insure the safety and soundness of these loans, and to insure full and fair disclosure to borrowers of the effects of provisions in agreements for these loans, including provisions permitting change or adjustment of any terms of a loan, provisions permitting, requiring, or prohibiting repayment of a loan on a basis other than of equal periodic installments of interest plus principal over a fixed term, provisions imposing penalties for the borrower's noncompliance with requirements of a loan agreement, or provisions allowing or requiring a borrower to choose from alternative courses of action at any time during the effectiveness of a loan agreement.

Sec. 23. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. REQUIRED REAL ESTATE LOAN PRACTICES. Real estate loans must meet the following requirements:

1. **APPRAISAL.** A qualified person shall conduct an inspection of the property securing the loan and submit a signed appraisal of the market value of that property, provided that an appraisal is only required where the loan is secured by a first lien.

2. **NOTE.** A note shall be signed by the borrower and delivered to the association.

3. **LIEN.** The loan shall be secured by a mortgage, deed of trust or similar instrument constituting a lien or claim upon real estate. Such instrument shall provide for the full protection of the association in the event of default.

4. **PAYMENT TERMS.** The loan shall provide for repayment upon those terms set forth in the note signed by the borrower.

5. **LOAN SETTLEMENT STATEMENT.** The borrower shall receive a statement setting forth in detail the charges and fees the borrower has paid or is obligated to pay in connection with the loan.

6. **BALLOON PAYMENTS.** An association shall mail to the borrower an offer to refinance a balloon payment under a loan at least twenty days prior to the balloon payment date if at that time no payments under the loan are delinquent. Such offer shall be at an interest rate no greater than one percent per annum above the index rate, monthly payments no greater than those necessary to fully amortize the amount of the balloon payment plus interest over a term ending thirty years after the first loan to the borrower secured by the real estate securing the loan to be refinanced, and a term of at least one year before the next balloon payment. Where the balloon payment is due one month after the preceding monthly payment date, the association may require the borrower to make a payment equal to the preceding monthly payment on the balloon payment date if the first payment under the note to refinance the balloon note is one month after the balloon payment date. The association may offer repayment plans to refinance a balloon payment in addition to the plan required by this subsection. For purposes of this subsection the term "loan" means as defined in section 535.8, subsection 1; the term "balloon payment" means a payment which is more than three times as big as the mean average of the payments which precede it; and the term "index rate" means the national average mortgage contract rate for major lenders on the purchase of previously-occupied homes which is most recently published in final form by the federal home loan bank board one month prior to the date on which the balloon payment is due.

Sec. 24. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. AUTHORIZED REAL ESTATE LOAN PRACTICES. An association may do any of the following with respect to a real estate loan, and any contract provision authorized by this section shall be enforceable:

1. **PREPAYMENT.** Except as prohibited by section 535.9, an association may include in the loan documents signed by the borrower a provision imposing a penalty in the event of prepayments as defined in the document.

2. **PROTECTIVE DISBURSEMENTS.** An association may pay taxes, assessments, ground rents, insurance premiums and similar charges with respect to real estate securing a loan. An association may add these disbursements to the unpaid principal balance of the loan, in which event the disbursements shall be secured to the same extent as the principal balance of the loan.

3. **PROTECTIVE PAYMENTS.** An association may include in the loan documents signed by the borrower a provision requiring the borrower to pay the association 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 association in order to better secure the loan. The association shall be deemed to be acting in a fiduciary capacity with respect to these funds. An association receiving funds pursuant to an escrow agreement

executed on or after the effective date of this Act 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 association pays to members depositing funds in ordinary savings accounts. An association which maintains an escrow account in connection with any real estate loan, whether or not the mortgage has been assigned to a third person, shall each year deliver to the mortgagor a written annual accounting of all transactions made with respect to the loan and escrow account.

4. **ADDITIONAL PROVISIONS.** An association may include in the loan documents signed by the borrower any other provision not inconsistent with this chapter.

Sec. 25. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. LINE OF CREDIT ARRANGEMENTS. An association may commit its assets to lines of credit pursuant to credit arrangements, including but not limited to agreements with credit and debit card holders and with other credit or debit card issuers. An association may become a member or stockholder of or become otherwise affiliated with, any credit or debit card corporation, association, or other issuer.

Sec. 26. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. SUCCESSORS IN INTEREST. An association may deal directly with any person who has an interest in property which secures a loan by the association regarding the loan or the security interest without notice to any person who is obligated to repay the loan, and an association may forebear to sue or may extend time for payment of or otherwise modify the terms of the loan, without discharging or in any way affecting the liability of any person obligated to repay the loan.

Sec. 27. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. INVESTMENT IN AND BY BANKS.

1. **INVESTMENT IN BANKS.** A holding company, association, or service corporation may invest in the capital stock, obligations, or other securities of a bank with the prior approval of the supervisor.

2. **INVESTMENT BY BANKS.** Notwithstanding sections 524.802 and 524.901, subsection 3, a bank holding company, bank, or bank service corporation may, with the prior approval of the superintendent, invest in the capital stock, obligations or other securities of a state association.

The superintendent shall not approve an investment under this subsection if upon making the investment the entity making the investment directly or indirectly would own or control more than twenty-five percent of the voting shares of a savings and loan association or would have the power to control in any manner the election of a majority of the directors of a savings and loan association, unless the superintendent first determines either that the association in which the investment is to be made has only those office locations which a bank would be authorized under section 524.1202 to apply for and have approved on the effective date of the proposed investment, or that all nonconforming office locations were in existence and operating on the effective date of this Act. If such an investment is approved by the superintendent, the association so owned or controlled shall not subsequently establish any additional office locations except one which a bank would be authorized under section 524.1202 to apply for and have approved on the date which the proposed office location would commence operations.

3. **CONTINGENCIES.** An association or service corporation may make an investment under subsection 1 only if at the time of the investment either an insured bank or a bank service corporation owned by one or more insured banks would be permitted to make an investment under substantially the same circumstances in an insured state association under all applicable laws and regulations of the United States. A bank or bank service corporation may

make an investment under subsection 2 only if at the time of the investment either an insured state association or a service corporation owned by one or more insured associations would be permitted to make an investment under substantially the same circumstances in an insured bank under all applicable laws and regulations of the United States. The ability of an organization to merge with another organization is not relevant in determining whether an organization is permitted to invest in another organization.

4. No bank shall directly or indirectly acquire ownership or control of more than twenty-five percent of the voting shares of any savings and loan association, or the power to control in any manner the election of a majority of the directors of any savings and loan association, if upon such acquisition the associations so owned or controlled by the bank would have, in the aggregate, more than eight percent of the total deposits, both time and demand, of all associations in this state, as determined by the superintendent on the basis of the most recent reports of the associations in the state to their supervisory authorities which are available at the time of the acquisition.

5. **DEFINITIONS.** For purposes of this section an "insured bank" is a bank whose deposits are insured in part by the federal deposit insurance corporation; a "bank service corporation" is as defined by, and in accordance with, the laws of the United States, and the "superintendent" is the person appointed pursuant to section 524.201.

6. **FINDINGS REQUIRED.** The supervisor shall not grant an approval under subsection 1, and the superintendent shall not grant an approval under subsection 2 except after making one of the two following findings:

a. Based upon a preponderance of the evidence presented, the proposed investment will not have the immediate effect of significantly reducing competition between depository financial institutions located in the same community as the institution whose shares would be acquired.

b. Based upon a preponderance of the evidence presented, the proposed investment would have the anticompetitive effect specified in paragraph a of this subsection, but that other factors, to be specifically cited, outweigh the anticompetitive effect so that there would be a net public benefit as a result of the investment.

7. **COMPETITION PRESERVED.** The subsequent liquidation of a bank or state association whose shares are required under this section shall not prevent the subsequent incorporation of another bank in the same community, and the superintendent of banking shall not find the liquidation to be grounds for disapproving the incorporation of another bank in the same community under section 524.305; and shall not prevent the subsequent incorporation of another association in the same community, and the supervisor shall not find the liquidation to be grounds for disapproving the incorporation of another association in the same community under this chapter.

Sec. 28. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. ACTIONS TO AVOID LOSS. An association may invest its funds, operate a business, manage or deal in property, or take any other action, over a reasonable period of time not exceeding one year, to avoid or reduce the loss on a loan or investment made or an obligation created in good faith, even though such action is not otherwise authorized by this chapter.

Sec. 29. Chapter 534, Code 1981, is amended by adding the following new sections:

NEW SECTION. ARTICLES OF INCORPORATION.

1. **ORIGINAL ARTICLES.** The original articles of incorporation of an association shall set forth:

a. The name of the association.

b. Whether the association is organized as a mutual association or a stock association.

- c. That the association will operate under this chapter.
- d. The period of duration if for a limited period, but in the absence of any statement in the articles an association shall have perpetual duration.
- e. The officer or officers authorized to sign instruments pertaining to real estate.
- f. Whether or not the association will have a corporate seal, and whether such seal must be affixed to instruments pertaining to real estate.
- g. If a stock association, the information specified in section 496A.49, subsections 4, 5, 6, and 7.
- h. Any other provision not inconsistent with this chapter.
- i. The person to whom the certificate of incorporation should be mailed by the secretary of state after filing.
- j. The address of its registered office including street and number, if any, the name of the county in which the registered office is located, and the name of its registered agent or agents at such address.
- k. The name and address of each incorporator.
- l. The name and address and initial term of office of each member of the initial board of directors.
2. It shall not be necessary to set forth in the articles of incorporation any of the corporate powers enumerated in this chapter.
3. **RESTATED ARTICLES.** Restated articles of incorporation shall set forth the information specified in paragraphs a, b, c, d, e, f, g, h, i, and j of subsection 1.
4. **AMENDMENT PROCEDURE.** The procedure for amending articles of incorporation or adopting restated articles for mutual associations is that specified in section 504A.35, and for stock associations it is that specified in sections 496A.56 and 496A.57.
5. **EFFECTIVE DATE.** Original articles, amendments, and restatements are effective on the date they are filed with the secretary of state, or on such later effective date as is stated therein. The secretary of state shall not accept any of these documents for filing unless it has been approved by the supervisor.

NEW SECTION. BYLAWS.

1. **GENERAL PROVISIONS.** The initial bylaws of an association shall be adopted by its board of directors. The power to alter, amend, or repeal the bylaws or adopt new bylaws shall be vested in the board of directors unless otherwise provided in the articles of incorporation. The bylaws may contain any provisions for the regulation and management of the affairs of the association not inconsistent with the law or the articles. If the articles of a stock association so provide, the bylaws may contain provisions restricting the transfer of shares.

2. **EFFECTIVE DATE.** Amendments to bylaws or restatements of bylaws are effective on the date they are adopted if they have been preapproved by the supervisor or on the date they are approved by the supervisor if they were not preapproved, provided that the amendment or restatement is effective on a later effective date if so provided therein.

NEW SECTION. MEETINGS OF STOCKHOLDERS. Sections 496A.27, 496A.28, 496A.29, 496A.30, 496A.31, 496A.32, and 496A.33 apply to stock associations.

NEW SECTION. DIRECTORS. The business of the association shall be directed by a board of directors of not less than five nor more than twenty-five adult individuals elected by ballot from among the members or stockholders by a plurality of the votes of the members or stockholders present or voting by proxy. If authorized by vote of the members or stockholders, the directors may elect all directors. At all times at least two-thirds of the directors must be bona fide residents of this state.

NEW SECTION. INCORPORATING AN ASSOCIATION.

1. **PLAN OF INCORPORATION.** One or more persons may petition for approval of a plan of incorporation for an association by forwarding to the supervisor the following:

- a. The proposed original articles of incorporation.
- b. The proposed original bylaws.
- c. An application for approval of each proposed office.
- d. Other information the supervisor requires.

2. **PROCEDURES.** If the supervisor approves the plan of incorporation, the supervisor shall note the approval on the original articles, and the original articles shall be filed with the secretary of state.

3. **CERTIFICATE OF OPERATION.** A corporation shall not operate as an association under this chapter until it has received a certificate of operation from the supervisor. The supervisor shall not issue a certificate of operation to the association until approved articles and bylaws have been adopted, the supervisor has received satisfactory proof that the corporation will be an insured association before receiving any money in savings accounts, and the interests of the public and members have been adequately protected.

NEW SECTION. TEMPORARY MORATORIUM. An association shall not be incorporated under this chapter as a stock association prior to the expiration of three years after the effective date of this Act, except that a state or federal mutual association may be converted to a state stock association under section 30 of this Act at any time on or after the effective date of this Act.

NEW SECTION. STOCK ASSOCIATION CAPITALIZATION.

1. **IN GENERAL.** Sections 496A.14, 496A.15, 496A.16, 496A.17, 496A.18, 496A.19, 496A.21, 496A.22, 496A.23, 496A.24, and 496A.25 apply to stock associations.

2. **PERMANENT CAPITAL.** Except as provided in this chapter, the total of the par values of all outstanding shares of voting common capital stock shall be permanent capital of the stock association and shall not be retired until final liquidation of the stock association. A stock association shall not reduce its outstanding voting common capital stock without first obtaining the consent of the supervisor. Consent shall be withheld if the reduction will cause the par value of outstanding voting common capital stock to be less than the minimum required by rules adopted by the supervisor.

3. **CAPITAL STOCK AS SECURITY.** A stock association shall not make a loan secured by the pledge of its capital stock.

Sec. 30. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. CONVERSIONS.

1. **TYPES AUTHORIZED.** The following types of conversions are authorized:

- a. Mutual association to stock association.
- b. Stock association to mutual association.
- c. Mutual association or stock association to federal mutual association or federal stock association.
- d. Federal mutual association or federal stock association to mutual association or stock association.
- e. Stock association to a bank chartered under chapter 524.

2. **INSURANCE.** The organization must be either an insured association, a federal association, or an insured bank after any conversion.

3. **PLAN OF CONVERSION.** The board of directors shall approve a plan of conversion by a majority vote of all directors then serving. The plan shall include the following:

- a. The proposed restated articles of incorporation.
- b. The proposed restated bylaws.

- c. The effect of the conversion on each type of member or each class of stockholders.
- d. Other information the supervisor requires.
- e. If the conversion is to a bank, information required by the superintendent of banking.

4. SUPERVISOR'S APPROVAL. The plan of conversion shall be submitted to the supervisor for approval. The supervisor shall reject the plan based on any of the following determinations:

- a. The plan is inconsistent with applicable statutes or regulations.
- b. The plan does not contain all required information.
- c. The plan is inequitable to a class of members or shareholders.

The supervisor shall notify the organization which submitted the plan of the supervisor's decision, and the reasons for rejection if the plan is rejected.

5. SUPERINTENDENT'S APPROVAL. The plan of conversion shall be submitted to the superintendent of banking for approval if the conversion is to a bank. The superintendent shall reject the plan based on any of the following determinations:

- a. The plan is inconsistent with applicable statutes or regulations.
- b. The plan does not contain all required information.
- c. The character and fitness of the members of the initial board of directors is not such as to command the confidence of the community and to warrant the belief that the organization's business will be honestly and efficiently conducted.
- d. The capital structure of the organization is not adequate in relation to its anticipated business.

e. The organization will have sufficient personnel with adequate knowledge and experience to conduct its business and administer any fiduciary accounts which it proposes to handle.

f. The plan does not provide for the closing or sale of all of the offices which must be discontinued in order for the organization to have only those home and branch offices which a bank is allowed to have under chapter 524.

The superintendent shall notify the organization which submitted the plan of the superintendent's decision, and the reasons for rejection if the plan is rejected. The organization may amend and resubmit the plan in response to a notification of rejection.

6. MEMBER OR STOCKHOLDER APPROVAL. The plan of conversion must be approved at an annual meeting of members or stockholders, or at a special meeting called to consider the plan, by a majority vote of the members represented in person or by proxy if a mutual association or federal mutual association, or a majority vote of each class of voting stock represented in person or by proxy if a stock association or federal stock association.

If the proposed conversion is the conversion of a mutual association to a stock association, the board of directors shall cause written notice of the date, time and purpose of the meeting at which the members will be asked to vote on the proposal to be mailed by first class mail, postage prepaid, to each member of the association not less than thirty days prior to the date of the meeting, and the board shall cause a copy of this notice to be posted in a conspicuous location in each of the association's offices from the date of mailing until the date of the meeting. The notice to be mailed to members and posted also shall give notice, in a form and manner to be prescribed by rule of the supervisor, the rights of a member to have access to and communicate with other members as provided in section 534.5, subsection 2 and the procedures that are to be followed under that provision. The mailed notice may be included in an envelope containing a periodic statement of account to the member. The supervisor may require that the date for the meeting of members be postponed to a date certain, not more than thirty days after the date originally prescribed, if the supervisor determines that such additional time is necessary to enable members who have requested to communicate with other members under section 534.5, subsection 2, to properly exercise that right.

If the proposed conversion is the conversion of a stock association to any other type of entity, the board of directors shall cause written notice of the proposed conversion and the earliest date when the proposed conversion might become effective to be posted in a conspicuous location in each of the association's offices commencing thirty days prior to the date of the shareholder's meeting at which the proposal will be voted upon and until thirty days after that date.

If the plan of conversion is approved, a copy of the minutes of the meeting, certified and acknowledged by the secretary or assistant secretary, shall be filed with the supervisor.

7. **CONVERSION TO ASSOCIATION.** If a state association results from the plan of conversion, the supervisor shall issue a certificate of incorporation when all of the following have occurred:

a. The supervisor has received adequate assurance that the association will be an insured association upon issuance of the certificate of incorporation.

b. The supervisor has approved the plan of conversion.

c. The supervisor has received the certified minutes of approval under subsection 6.

The proposed articles of incorporation and bylaws as contained in the plan of conversion shall become effective upon the issuance of the certificate of incorporation.

8. **CONVERSION TO FEDERAL ASSOCIATION.** If a federal association results from the plan of conversion, the association shall cease to be an association and shall no longer be subject to the supervision and control of the supervisor when all of the following have occurred:

a. The supervisor has received a copy of the charter issued to a converting association by the federal home loan bank board or a certificate showing the organization of such association as a federal savings and loan association, certified by the secretary or assistant secretary of the federal home loan bank board.

b. The supervisor has approved the plan of conversion.

c. The supervisor has received the certified minutes of approval under subsection 6.

9. **CONVERSION TO A BANK.** If a bank results from the plan of conversion, the association shall cease to be an association and shall no longer be subject to the supervision and control of the supervisor when all of the following have occurred:

a. The supervisor has received from the superintendent of banking a certificate showing that the organization is chartered as a bank.

b. The supervisor has approved the plan of conversion.

c. The supervisor has received the certified minutes of approval under subsection 6.

10. **CERTIFICATION.** The supervisor shall prepare a certificate of conversion upon the occurrence of all of the events stated in subsection 7, 8, or 9. This certificate shall include the name of the corporation which adopted the plan of conversion, the name of the corporation after the conversion, and the effective date of conversion. The original certificate shall be filed with the secretary of state. The supervisor shall provide a certified copy of the certificate to any person upon payment of a five dollar fee. A certified copy of this certificate shall be sufficient proof of that conversion for purposes of establishing the liability for debts or the ownership of assets as provided in section 31, subsections 2 and 3 of this Act.

11. **COMPETITION PRESERVED.** A conversion of an association to a bank under this section shall not prevent the subsequent incorporation of another bank in the same community, and the superintendent of banking shall not find the existence of the bank resulting from the conversion to be grounds for disapproving the incorporation of another bank in the same community under section 524.305, subsection 1, paragraph b or c. A conversion of an association to a bank under this section shall not prevent the subsequent incorporation of another association in the same community, and the supervisor shall not find the existence of the bank resulting from the conversion to be grounds for disapproving the incorporation of another association in the same community under this chapter.

Sec. 31. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. EFFECTS OF CONVERSION.

1. **CONTINUATION.** The legal existence of an entity shall not terminate as a result of a conversion under section 30 of this Act. The entity resulting from a conversion shall be a continuation of the same corporate entity which adopted the plan of conversion.

2. **LIABILITIES.** The corporation resulting from a conversion is liable for all obligations incurred by the corporation before, during or after the conversion.

3. **ASSETS.** All property of the corporation adopting a plan of conversion, including its rights, titles, and interests in and to all property of whatever kind, whether real, personal or mixed, choses in action, and every other right and privilege immediately vests in the corporation resulting from the conversion, by act of law and without any other conveyance, act or deed, except to the extent an interest in property passes to another person under the explicit terms of the plan of conversion.

4. **PENDING ACTIONS.** Pending actions in any court or tribunal to which the corporation adopting a plan of conversion is a party shall not be abated or discontinued by reason of the conversion, but may be prosecuted in the same manner as if the conversion had not been made.

Sec. 32. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. MERGER.

1. **MERGER DEFINED.** As used in this section, the terms "merger" or "merge" means any plan by which the assets and liabilities of an entity are combined with those of one or more other entities, including transactions in which one of the corporate entities survives and transactions in which a new corporate entity is created.

2. **TYPES AUTHORIZED.** An association may merge only with one or more other state associations, federal associations, bank holding companies or banks.

3. **PLAN OF MERGER.** The board of directors of each merging entity shall approve an identical plan of merger by a majority vote of all directors then serving. The plan shall include the following:

- a. The proposed name of the surviving organization.
- b. The proposed articles of incorporation of the surviving organization.
- c. The proposed bylaws of the surviving organization.
- d. The effect of the merger on each type of member or each class of stockholders.
- e. Other information required by the supervisor.

4. **SUPERVISOR'S APPROVAL.** The plan of merger shall be submitted to the supervisor for approval. The supervisor shall reject the plan based on any of the following determinations:

- a. The plan is inconsistent with applicable statutes or regulations.
- b. The plan does not contain all required information.
- c. The plan is inequitable to a class of members or stockholders.

The supervisor shall notify the organizations which submitted the plan of the supervisor's decision, and the reasons for rejection if the plan is rejected.

5. **SUPERINTENDENT'S APPROVAL.** The plan of merger shall be submitted to the superintendent of banking for approval if the proposed merger is with or into a bank or bank holding company. The superintendent shall reject the plan based on any of the following determinations:

- a. The plan is inconsistent with applicable statutes or regulations.
- b. The plan does not contain all required information.

c. The capital structure of the resulting organization will not be adequate in relation to its anticipated business.

d. The plan does not provide for the closing or sale of all of the offices which must be discontinued in order for the resulting organization to have only those office locations which a resulting bank would be authorized under chapter 524 to apply for and have approved on the effective date of the merger if it had no bank office locations in operation on that date.

The superintendent shall notify the organization which submitted the plan of the superintendent's decision, and the reasons for rejection if the plan is rejected. The organization may amend and resubmit the plan in response to a notification of rejection.

6. **MEMBER OR STOCKHOLDER APPROVAL.** The plan of merger must be approved at an annual meeting of members or stockholders, or at a special meeting called to consider the plan, by a majority vote of the members represented in person or by proxy of each of the mutual associations or federal mutual associations included in the plan, or a majority vote of each class of voting stock represented in person or by proxy of each of the stock associations, federal stock associations, bank holding companies or banks included in the plan. If so approved, a copy of the minutes of the meeting, certified and acknowledged by the secretary or assistant secretary, shall be filed with the supervisor.

7. **RECEIVERSHIP.** If a receiver has been appointed for any association included in the plan of merger, the receiver shall act in place of the board of directors and the members or stockholders, and the plan must also be approved by the court by which the receiver was appointed.

8. **CERTIFICATION.** The supervisor shall prepare a certificate of merger upon the occurrence of all of the events stated in subsections 3, 4, 5, 6, and 7. This certificate shall include the name of the surviving association, federal association or bank and the effective date of the merger. The original certificate shall be filed with the secretary of state. The supervisor shall provide a certified copy of the certificate to any person upon payment of a five dollar fee. A certified copy of this certificate shall be sufficient proof of the merger for purposes of establishing the liability for debts or the ownership of assets as provided in section 33, subsections 1 and 2 of this Act. An association involved in a merger may transfer assets or receive assets under the plan of merger only after the certificate of merger has been issued by the supervisor.

9. **COMPETITION PRESERVED.** A merger under this section shall not prevent the subsequent incorporation of another bank in the community in which the merged association is located, and the superintendent of banking shall not find the merger to be grounds for disapproving the incorporation of another bank in the same community under section 524.305, subsection 1, paragraph b or c. A merger under this section shall not prevent the subsequent incorporation of another association in the community in which the merged association is located, and the supervisor shall not find the merger to be grounds for disapproving the incorporation of another association in the same community under this chapter.

Sec. 33. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. EFFECTS OF MERGER.

1. **LIABILITIES.** The association, federal association or bank resulting from a merger is liable for all obligations incurred by each of the associations, federal associations, bank holding companies or banks included in the merger before, during, or after the merger.

2. **ASSETS.** All property of each association, federal association, bank holding company or bank adopting a plan of merger, including its rights, titles, and interests in and to all property of whatever kind, whether real, personal, or mixed, choses in action, and every other right and privilege immediately vests in the association, federal association, bank holding companies or bank resulting from the merger by act of law and without any other conveyance, act or deed, except to the extent an interest in property passed to another person under the explicit terms of the plan of merger.

3. PENDING ACTIONS. Pending actions in any court or tribunal to which any association, federal association, bank holding company or bank adopting a plan of merger is a party shall not be abated or discontinued by reason of the merger, but may be prosecuted in the same manner as if the merger had not been made.

Sec. 34. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. BULK TRANSFERS.

1. DEFINED. A "bulk transfer" is any transfer in bulk and not in the ordinary course of the transferor's business of a major part in value of the loans, savings accounts, or real estate of an association or of one office of an association, or any combination of such loans, savings accounts and real estate.

2. APPROVAL. An association may be the transferor under a bulk transfer upon the prior written consent of the supervisor and upon the majority vote of members represented in person or by proxy if a mutual association, or a majority vote of each class of voting stock represented in person or by proxy if a stock association. An association may be the transferee under a bulk transfer upon the approval of its board of directors.

3. TRANSFERS TO BANKS. A bulk transfer by an association to a bank is void unless written consent to the transfer is obtained from the superintendent prior to the transfer.

Sec. 35. Chapter 534, Code 1981, is amended by adding the following new section:

NEW SECTION. LIMITATIONS. Nothing contained in this chapter shall be construed to authorize an association to merge with or be acquired wholly or in part by a foreign institution unless all applicable laws and regulations of the United States would specifically authorize a merger with or acquisition by a foreign institution. For purposes of this subsection the term "foreign institution" means a federal association whose home office is located in another state, a bank whose home office is located in another state, or a bank holding company which is with respect to the state of Iowa an "out-of-state bank holding company" as defined or referred to in 12 U.S.C. 1842(d), and for purposes of this subsection the words "acquire" or "acquisition" mean to directly or indirectly acquire ownership or control of more than twenty-five percent of the voting shares of any association or the power to control in any manner the election of a majority of the directors of any association.

Sec. 36. Chapter 536A, Code 1981, is amended by adding the following new section:

NEW SECTION. REAL ESTATE LOANS. A licensed industrial loan company may make permanent loans, construction loans, or combined construction and permanent loans, secured by liens on real property, as authorized by rules adopted by the auditor under chapter 17A. These rules shall contain provisions as necessary to insure the safety and soundness of these loans, and to insure full and fair disclosure to borrowers of the effects of provisions in agreements for these loans, including provisions permitting change or adjustment of any terms of a loan, provisions permitting, requiring, or prohibiting repayment of a loan on a basis other than of equal periodic installments of interest plus principal over a fixed term, provisions imposing penalties for the borrower's noncompliance with requirements of a loan agreement, or provisions allowing or requiring a borrower to choose from alternative courses of action at any time during the effectiveness of a loan agreement.

A licensed industrial loan company may include in the loan documents signed by the borrower a provision requiring the borrower to pay the company 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 company in order to better secure the loan. The company shall be deemed to be acting in a fiduciary capacity with respect to these funds. A company receiving funds in escrow pursuant to an escrow agreement executed on or after the effective date of this Act 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 lowest rate the company pays to holders of thrift certificates issued by the company. If the company does not issue thrift certificates as defined in section 536B.2, the company shall pay an interest rate which represents the average of the lowest rates paid on thrift certificates by companies required to be members of the industrial loan thrift guaranty corporation under chapter 536B. This rate shall be determined by the auditor of state as of December 31 and June 30 of each year, and the auditor of state shall cause the rate to be published in the Iowa administrative bulletin within twenty days following the date of determination. The rate so determined shall apply from the date of publication of the rate and until a different rate is published. A company which maintains an escrow account in connection with a loan authorized by this section, whether or not the mortgage has been assigned to a third person, shall each year deliver to the mortgagor a written annual accounting of all transactions made with respect to the loan and escrow account.

Sec. 37. Section 536A.16, Code 1981, is amended to read as follows:

536A.16 CEASE AND DESIST ORDERS. Whenever the auditor has reasonable cause to believe that any licensee is violating any provision of this chapter, chapter 536B, or rules adopted under either chapter, he the auditor may, after ten days' advance written notice, in addition to all actions provided for in this chapter, and without prejudice thereto, enter an order requiring such the licensee to cease, desist and refrain from such the violation. After receipt of the advance written notice as provided above, any licensee, within five days from the receipt of such notice may file with the auditor a written demand for a hearing. Such hearings Hearings shall promptly be held in the office of the auditor and no a cease and desist order shall not be issued until after the hearing during which the. The licensee shall be entitled to present evidence and the testimony of witnesses at the hearing.

Sec. 38. Section 536A.17, Code 1981, is amended to read as follows:

536A.17 INJUNCTIONS. The auditor by counsel of the attorney general may commence an action in any court of competent jurisdiction the district court, in the name of the state of Iowa as plaintiff on the relation of such the auditor to restrain and enjoin any licensee from violating the provisions of this chapter, chapter 536B, or rules adopted under either chapter, or to restrain and enjoin any person, copartnership, firm or corporation from engaging in the business of operating an industrial loan company without obtaining a license as required by this chapter.

Sec. 39. Section 536A.22, Code 1981, is amended to read as follows:

536A.22 THRIFT CERTIFICATES. Licensed industrial loan companies may sell senior debt to the general public in the form of thrift certificates, installment thrift certificates, certificates of indebtedness, promissory notes or similar evidences of indebtedness. The total amount of such thrift certificates, installment thrift certificates, certificates of indebtedness, promissory notes or similar evidences of indebtedness outstanding and in the hands of the general public shall not at any time exceed ten times the total amount of capital, surplus, undivided profits and subordinated debt that gives priority to such securities of the issuing industrial loan company. The Except as provided in chapter 536B, the sale of such securities shall be subject to the provisions of chapter 502, and shall not be construed to be exempt therefrom by reason of the provisions of section 502.202, subsection 10, except that the sale of thrift certificates or installment thrift certificates which are redeemable by the holder thereof either upon demand or within a period not in excess of one hundred eighty days shall be exempt from sections 502.201 and 502.602.

Sec. 40. Section 536B.2, subsection 5, Code 1981, is amended to read as follows:

5. "Thrift certificates" issued by a member means senior indebtedness issued to and in the hands of the general public, and includes thrift certificates, installment thrift certificates, certificates of indebtedness, promissory notes, or similar evidences of indebtedness.

Sec. 41. Section 537.2310, subsection 2, paragraph d, Code 1981, is amended to read as follows:

d. Sales of property or items by the licensee which are not for the profit of the licensee and which are sold for a price not exceeding fifteen fifty dollars.

Sec. 42. Section 537.1301, subsection 14, paragraph b, subparagraph (2), Code 1981, as amended by Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 177, section 3, is amended to read as follows:

(2) A debt which is incurred primarily for the purpose of acquiring real property or refinancing a contract for deed to real property and which is secured by a first lien on that real property and which is incurred primarily for the purpose of acquiring that real property, or refinancing a contract for deed to that real property, or constructing on that real property a building containing one or more dwelling units.

Sec. 43. Notwithstanding contrary provisions of this Act, a bank, savings and loan association, credit union or industrial loan company organized or licensed under the laws of this state may until July 1, 1983, make real estate loans pursuant to applicable provisions of the Code as it existed prior to the effective date of this Act and pursuant to any applicable rules that are adopted under section 2, 5, 22, or 36 of this Act after the effective date of this Act. Commencing July 1, 1983, the institution shall make real estate loans only in accordance with applicable rules adopted under section 2, 5, 22, or 36 of this Act.

Sec. 44.

1. Sections 534.3, 534.4, 534.22, 534.24, 534.25, 534.26, 534.27, 534.28, 534.29, 534.30, 534.36, 534.37, 534.38, 534.39, 534.40, 534.67, 534.71, 534.72, and 534.73, Code 1981, are repealed. Section 534.21, Code 1981, as amended by Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 175, sections 6 and 7, is repealed.

2. Chapter 535B, Code 1981, is repealed.

3. Section 534.19, subsections 2, 3, 4, 5, 11, 16, 17, and 19, Code 1981, are amended by striking those subsections. Section 534.19, subsection 6, Code 1981, as amended by Acts of the Sixty-ninth General Assembly, 1981 Session, chapter 175, section 3, is amended by striking the subsection.

Approved May 18, 1982