

A BILL

FOR AN ACT TO PROVIDE FOR THE INCORPORATION, ESTABLISHMENT, REGULATION AND CONTROL OF STATE FARM MORTGAGE BANKS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. As used in this act the phrase "State Farm Mortgage Bank" shall mean a corporation organized as provided in this act for the purpose of loaning money upon first mortgages upon agricultural lands in this state and the issuance of bonds secured by the mortgages so acquired.

Sec. 2. No person, partnership, association or corporation, except corporations organized under the provisions of this act, shall hereafter transact any business under any name or title in which shall appear the words "state" and "farm" in connection with the words "mortgage bank."

Sec. 3. The articles of incorporation of the state farm mortgage bank shall be signed and acknowledged by the incorporators before some officer authorized to take acknowledgment of deeds and shall set forth:

1st. The name of the corporation.

2d. The object for which it is formed.

3d. The amount of capital.

4th. The time of its existence which shall not exceed fifty (50) years.

5th. The number of its directors.

6th. The name and postoffice address of each person or officer who shall manage its affairs until the first election.

7th. The name of the city, town or village, and county in which the principal place of business is located.

8th. That the private property of the stockholders shall be exempt from corporate liability.

Such articles shall be filed and recorded in the office of the recorder of deeds in the county of the principal place of business and in the office of the secretary of state. Notice of its incorporation shall be given by publication in some newspaper published in the county wherein the said state farm mortgage bank is located for four (4) consecutive weeks, which notice shall state in substance the matter required to be given by the articles of incorporation.

Sec. 4. Corporations, under the provisions of this act, may be formed by not less than ten (10) persons of lawful age, a majority of whom shall be citizens of this state. The paid-up capital of any state farm mortgage bank, organized under the provisions of this act, shall not be less than fifty thousand (\$50,000) dollars, and shall be divided into shares of one hundred (\$100.00) dollars each. But no such corporation shall have the right to commence business until its officers or stockholders have furnished to the auditor of state a sworn statement of the paid-up capital, and when the auditor of state is satisfied of that fact he shall issue to such corporation a certificate authorizing it to commence business, and it shall cause said certificate to be published in some newspaper published in the city or town where the corporation is located for at least four (4) weeks, or if no newspaper is published in such city or town then in a newspaper published nearest thereto in the county.

Sec. 5. The business and property of said state farm mortgage bank shall be managed by a board of directors of not less than five (5), each of whom shall own at least five (5) shares of stock in his own name, and at least three-fourths ($\frac{3}{4}$) of the directors must be citizens of the state. Each director, before acting as such, shall take an oath that he will diligently, faithfully and impartially perform the duties imposed upon him by law, that he will not knowingly violate or wilfully permit to be violated any of its provisions, that he is a bona fide owner in his own name of at least five (5) shares of stock required to be owned by him as provided in this section, that the same is not hypothecated nor in any manner pledged as security for any loan obtained or debt owing by him, which oath shall be signed by each director and certified by the officer before whom it was taken and filed with and preserved in the office of the auditor of state.

At their first meeting and as often thereafter as the by-laws require they shall elect from their number a president and one or more vice-presidents for the ensuing year, and shall appoint a secretary and such other officers and employees as may be required, who shall hold their office during the pleasure of the board and give such security for the faithful performance of their duties as may be required of them by the by-laws. Vacancies in the board of directors shall be filled by the remaining directors at their next regular meeting after vacancy occurs.

The directors who succeed those named in the auditor's certificate shall be elected at the first annual meeting of the stockholders thereafter at such time and place, in such manner and upon such notice as shall be provided by the by-laws and shall hold their office until their successors are elected and qualified, which shall be annually thereafter.

The stockholders shall also elect from their number at their first annual meeting an auditing committee, no one of whom shall be an officer of such association. Thereafter an auditing committee shall be elected by the stockholders at each annual meeting, who shall hold their

26 office until their successors are elected and qualified, which shall be annually thereafter. All
27 such elections shall be by ballot and the person receiving the majority of votes cast shall be
28 elected.

29 A majority of the stock shall constitute a quorum at any stockholders' meeting. A major-
30 ity of the directors shall constitute a quorum at any meeting of that body, but no measure
31 shall be declared carried unless receiving three (3) affirmative votes.

32 The board of directors shall also elect from among their number a committee on loans con-
33 sisting of from three to five members, as the by-laws of the bank may prescribe.

Sec. 6. The corporation may make and alter by-laws at pleasure and may authorize the
2 board of directors to do so, subject to such restrictions as may be deemed advisable, and sub-
3 ject to the approval of the auditor of state.

Sec. 7. The committee on loans shall approve in writing an application for a loan before
2 the same shall be granted by the bank. Every application for a loan shall be made in writ-
3 ing in such form as prescribed by the by-laws.

Sec. 8. The auditing committee shall quarterly inspect the securities, cash and accounts of
2 the corporation, and report the result of their examinations to the board of directors. At the
3 annual meeting of the stockholders the auditing committee shall submit their reports, includ-
4 ing the result of said audit, together with any such recommendation as they have to offer and
5 an epitome of their proceedings since the last meeting. A copy of such report shall be for-
6 warded to the auditor of state. The auditing committee shall report to the auditor of state
7 any delinquencies of any of the officers or employees of the bank immediately upon obtaining
8 knowledge of such delinquencies.

Sec. 9. Each officer of the bank shall give bond for the faithful discharge of his duties with
2 such surety and in such amount as shall be approved by the directors and auditor of state.
3 All such bonds when so approved shall be filed with and remain in the custody of the auditor
4 of state. No officer or director or member of the auditing committee shall be surety on any
5 such bond.

Sec. 10. Upon receipt of certificate from the auditor of state the bank shall have the fol-
2 lowing powers:

3 1. To make loans on first mortgage on agricultural lands situated within this state, but
4 such loans shall not exceed fifty per cent (50%) of the value of the land so mortgaged accord-
5 ing to the appraisal made as herein provided.

6 2. To pledge the mortgages so taken to the auditor of state and to issue bonds secured by
7 the pledge of such mortgages.

8 3. To negotiate mortgage loans on commission, to buy and sell without recourse Iowa farm
9 mortgages which comply with the provisions of this act, United States government, state,

10 county, school district, city, municipal and such other bonds as may be approved by the audi-
11 tor of state.

12 4. To make all contracts necessary and proper to effect its purposes and conduct its busi-
13 ness.

14 5. To sue and be sued, to appear and defend in all actions and proceedings under its cor-
15 porate name to the same extent as a natural person.

16 6. To have a common seal and alter same at pleasure.

17 7. To elect or appoint all necessary officers, agents and servants, defining their duties
18 and obligations, fix their compensation, dismiss them, fill vacancies and require bonds.

Sec. 11. The mortgages to be given to the bank, the bonds to be issued, and the trust deed
2 executed to secure the bonds shall be in such form and shall contain such conditions as will
3 adequately protect all parties thereto. The directors shall provide the forms subject to the
4 joint approval of the auditor of state and the attorney general.

Sec. 12. All mortgage obligations acquired by the state farm mortgage bank shall be sub-
2 ject to the following regulations:

3 1. Each such mortgage shall be a first and valid lien upon agricultural lands in this state.

4 2. Each such mortgage shall be given to secure a principal indebtedness not exceeding in
5 amount fifty (50) per cent of the capital.

6 3. The bank shall make no loans secured by mortgage on any real estate in which any
7 officer or director of the bank is interested either directly or indirectly, except upon the writ-
8 ten approval of two-thirds of the directors.

Sec. 13. Upon application for a loan the prospective borrower shall cause the land which he
2 proposes to mortgage to the association to be appraised by two freeholder residents of the
3 county in which said lands are situated who shall be approved by the directors of the bank.
4 Such freeholders shall swear (or affirm) before a competent official that their appraisal is
5 just and correct and that it does not exceed the market value of such real estate. The ex-
6 pense of such appraisal shall be borne by the applicant.

Sec. 14. A borrower shall have the option of paying one hundred (\$100.00) dollars, or mul-
2 tiple thereof on any interest payment date. No loan shall be made for a longer period than
3 ten (10) years, unless such mortgage provides for an annual reduction of at least one-half of
4 one(1) per cent of the principal sum thereof.

Sec. 15. Each bank shall enter every mortgage issued by it as security for its mortgage
2 bonds in a mortgage register in such form as may be required by the auditor of state. Such
3 mortgage register shall contain a full description of the land mortgaged. The bank shall en-
4 ter any payments of principal and interest opposite the entry of the mortgage upon which such
5 payments were made immediately upon receipt of such payments and shall also notify

6 the auditor of state of such payments of principal upon receipt of same. The auditor of
7 state shall acknowledge notice of payments of principal sums on all mortgages and such ac-
8 knowledgments shall be kept on file by the bank during the life of the mortgage.

Sec. 16. The aggregate amount of the principal of all bonds issued by a state farm mort-
2 gage bank and outstanding at any one time shall not exceed twenty (20) times the paid-up
3 capital and surplus of the bank.

Sec. 17. Any state farm mortgage bank may issue its bonds in such amounts, and for such
2 period of time and bearing such rate of interest as may be deemed advisable by the board
3 of directors, subject to the approval of the auditor of state.

4 Each farm mortgage bank shall keep a register of such form as the auditor of state may
5 require for the registration and transfer of bonds issued by it, which register shall be open
6 to the inspection of the auditor of state or any of his deputies or examiners.

Sec. 18. (1) To secure the payment of such bonds the farm mortgage bank shall issue
2 collateral deed of trust to the auditor of state pledging as security for such bonds the notes
3 and mortgages taken as provided herein in an amount equal to or exceeding the aggregate
4 amount of bonds issued or to be issued.

5 (2) The total amount of bonds actually outstanding shall not at any time exceed the total
6 amount unpaid upon the notes secured by the mortgages belonging to the association and
7 pledged for the payment of the bonds, plus such securities and moneys as may be on deposit
8 with the auditor of state under the provisions hereof.

Sec. 19. All mortgages pledged to secure the payment of the bonds issued herein shall be
2 deposited and left with the auditor of state. The farm mortgage bank may, with the approval
3 of the auditor of state, remove such mortgages from the custody of the auditor of state, sub-
4 stituting in place thereof other of its mortgages in an amount equal to or greater than the
5 amount unpaid upon the notes secured by the mortgages withdrawn.

6 If, in consequence of the redemption of mortgages, or for any other reason, any bank may
7 temporarily not have first mortgages, as required by this act, deposited with the auditor of
8 state as security for bonds outstanding, such bank may, in lieu thereof, deposit with the audi-
9 tor of state sufficient bonds of the State of Iowa, or bonds of the United States, or bonds of
10 any county, school district, or municipality of this state to supply such deficiency, provided
11 such bonds shall not be accounted as security for its bonds at a greater value than their par
12 value nor at a greater value than ninety-five (95) per cent of their market value.

Sec. 20. Notice of redemption of bonds may be given by the bank for the purpose of effect-
2 ing redemption in accordance with the condition of the bond, and as provided by the by-laws.

Sec. 21. The bonds of the farm mortgage bank shall be a legal investment for savings
2 banks, trust companies or other financial institutions chartered under the laws of this state

3 and shall also be a legal investment for trustees, executors, administrators, or custodians of
4 public or private funds.

Sec. 22. The bonds issued by state farm mortgage banks and the mortgages held as se-
2 curity for said bonds shall be exempt from taxation in the State of Iowa.

Sec. 23. The auditor of state may appoint not to exceed three (3) farm land examiners to
2 hold office at his pleasure, who shall give bond to the state conditioned for the faithful dis-
3 charge of their duties in the sum of four thousand (\$4,000) dollars, which shall be filed with
4 and approved by the auditor of state; one of said examiners shall personally examine every
5 tract of land covered by mortgage pledged to the auditor of state for the issue of bonds by
6 any state farm mortgage bank; such examination must be made within one year after such
7 mortgage is pledged with the auditor of state; upon examining each tract of land the exam-
8 iner shall make a full report to the auditor of state, describing the tract, giving such infor-
9 mation as would relate to the value of the tract, and giving his appraisal of the value of the
10 same. The salary of such examiner shall be five (\$5.00) dollars per day and all necessary actual
11 living expenses while at work, and shall be paid by the auditor of state out of fees collected
12 from state farm mortgage banks.

Sec. 24. If any loan pledged with the state auditor be for a greater amount than fifty (50)
2 per cent of the value of the land as appraised by the land examiner, the state auditor shall
3 notify the bank which pledged the mortgage and if the bank cannot furnish satisfactory
4 evidence to the auditor of state that the tract of land is of the required value, the auditor of
5 state shall require said bank to substitute another suitable mortgage or mortgages in place
6 of the rejected mortgage.

Sec. 25. All state farm mortgage banks shall make a full, clear and accurate statement of
2 the condition of the bank, verified by the oath of the president or vice-president, and sec-
3 retary, and attested by two of its directors, which statement shall contain:

- 4 1. The amount of capital actually paid in.
- 5 2. The total amount of bonds in circulation, showing bonds at different rates of interest
6 and the total of each kind.
- 7 3. All other liabilities of the bank, describing them.
- 8 4. The total amount of mortgages owned by the bank and the total amount of such mort-
9 gages pledged as security for bonds.
- 10 5. The value of real estate owned for banking purposes.
- 11 6. Value of other real estate.
- 12 7. Total amount of cash on hand.
- 13 8. Total amount of money on deposit with other banks.
- 14 9. Description and total value of other securities owned by the bank.

15 10. Profits on hand after deducting taxes and expenses.

16 11. Total amount of mortgages subject to amortization.

17 12. The number of foreclosures since the last statement.

18 13. The number of cases in which the bank was obliged to take over parcels of land for
19 its own protection against loss, and the total amount of those mortgages with the loss or
20 profit from the re-sale of lands so taken over.

21 14. The total amount of interest past due and the amount past due for each year.

22 15. The total amount paid on mortgages each year specifying the amount paid by amort-
23 ization and otherwise.

24 Which statement shall be transmitted to the auditor of state within ten days after the
25 receipt of the request therefor and be by him filed in his office.

Sec. 26. A state farm mortgage bank may purchase, hold and convey real estate only as
2 follows: (1) The lot and building in which its business is carried on. (2) Such as shall
3 have been purchased at sales upon foreclosure of mortgages owned by it, or upon judgments,
4 or upon judgments or decrees obtained or rendered for debts due it, or such as shall be con-
5 veyed to it in satisfaction of debts previously contracted in the course of its dealings and
6 which shall be sold by said bank within five (5) years after the title shall be vested in it.

Sec. 27. Sections 1869, 1873, 1874, 1875, 1877, 1881, 1886, 1887, 1888, 1889, of the code, and
2 sections 1322 and 1618-a of the supplement to the code, 1913, in so far as applicable, shall also
3 apply to state farm mortgage banks.

Sec. 28. (1) The auditor of state shall certify to each state farm mortgage bond issued
2 by every state farm mortgage bank, according to the provisions of this act.

3 (2) He shall keep a mortgage register corresponding to the farm mortgage register pres-
4 cribed in this act to be kept by the bank and shall enter payments of principal and interest
5 on such mortgage register upon receiving notice of such payments from the bank. He shall
6 also at the same time endorse such payments upon the proper mortgage, provided that no such
7 endorsements shall be made if bonds of such bank outstanding are for a greater amount than
8 the total amount of mortgages, cash and other securities of such bank held by the auditor of
9 state.

10 This act being deemed of immediate importance shall take effect and be in force from and
11 after its publication in the Des Moines News, a newspaper published in Des Moines, Iowa,
12 and in the Cedar Rapids Republican, a newspaper published in Cedar Rapids, Iowa.