

Commerce  
Rodgers, Chairperson  
Priebe  
Bisenius

FILED APR 4 1978

SENATE FILE 2225

By REDMOND

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

### A BILL FOR

1 An Act requiring financial institutions to give written  
2 notice to depositors of the intention to discontinue  
3 payment of interest on interest bearing accounts.

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

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1 Section 1. Section five hundred twenty-four point eight  
2 hundred five (524.805), subsection three (3), Code 1977, is  
3 amended by adding the following new unnumbered paragraph:

4 NEW UNNUMBERED PARAGRAPH. If an agreement to pay interest  
5 on a deposit authorizes the bank to discontinue the payment  
6 of interest or to reduce the rate of interest paid upon the  
7 happening of any event or contingency, the bank shall give  
8 written notice to the depositor of the intent to discontinue  
9 payment of interest or to reduce the rate of interest to be  
10 paid not less than thirty days prior to the effective date  
11 thereof. Notice shall be by ordinary mail to the depositor  
12 at the address shown on the records relating to the account  
13 affected. However, the provisions of this paragraph shall  
14 not require written notice when the change in interest pay-  
15 able results from the withdrawal of funds by the depositor,  
16 or from the closing of the account at the request of the de-  
17 positor.

18 Sec. 2. Section five hundred thirty-three point four  
19 (533.4), subsection one (1), Code 1977, is amended by adding  
20 the following new unnumbered paragraph:

21 NEW UNNUMBERED PARAGRAPH. If an agreement to pay interest  
22 on a share account or deposit account authorizes the credit  
23 union to discontinue the payment of interest or to reduce  
24 the rate of interest paid upon the happening of any event  
25 or contingency, the credit union shall give written notice  
26 of the intent to discontinue payment of interest or to reduce  
27 the rate of interest to be paid not less than thirty days  
28 prior to the effective date thereof. Notice shall be mailed  
29 by ordinary mail to the account holder at the address shown  
30 on the records relating to the account affected. However,  
31 the provisions of this paragraph shall not require written  
32 notice when the change in interest payable results from the  
33 withdrawal of funds by the depositor, or from the closing  
34 of the account at the request of the depositor.

35 Sec. 3. Section five hundred thirty-four point eleven

1 (534.11), Code 1977, is amended by adding the following new  
2 subsection:

3 NEW SUBSECTION. If an agreement to pay interest on a share  
4 account authorizes the savings and loan association to  
5 discontinue the payment of interest or to reduce the rate  
6 of interest paid upon the happening of any event or  
7 contingency, the savings and loan association shall give  
8 written notice of the intent to discontinue payment of interest  
9 or to reduce the rate of interest to be paid not less than  
10 thirty days prior to the effective date thereof. Notice shall  
11 be mailed by ordinary mail to the account holder at the address  
12 shown on the records relating to the account affected.  
13 However, the provisions of this subsection shall not require  
14 notice when the change in interest payable results from the  
15 withdrawal of funds by the account holder, or from the closing  
16 of the account at the request of the account holder.

17 Sec. 4. The provisions of this Act shall apply to any  
18 account in existence on or after the effective date of this  
19 Act.

20 Sec. 5. This Act shall take effect January 1, 1979.

21 EXPLANATION

22 This bill would require banks, credit unions and savings  
23 and loan associations to give written notice to the holders  
24 of interest bearing accounts not less than thirty days prior  
25 to the date upon which the institution will discontinue pay-  
26 ment of interest or will reduce the rate of interest payable  
27 on the account under the terms of the deposit agreement, such  
28 as on dormant accounts.

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