

Commerce
Holden, Chair
Palmer
Kinley

FILED FEB 14 1983

SENATE FILE 229
BY ANDERSON and LIND

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to credit union reciprocity, par value of
2 shares, deposits, investments, powers, membership,
3 and reserves.

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

- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

S.F. 229

1 Section 1. NEW SECTION. 533.39 RECIPROCITY. Subject
2 to rules of the administrator, a credit union chartered in
3 another state may do business in Iowa subject to the applicable
4 provisions of this chapter if Iowa credit unions may do
5 business in the state in which the out-of-state credit union
6 is chartered.

7 Sec. 2. Section 533.1, subsection 1, paragraph c, Code
8 1983, is amended to read as follows:

9 c. The par value of the shares of the credit union ~~which~~
10 ~~shall not exceed twenty-five dollars each and~~ shall be
11 established by the board of directors. A credit union may
12 have more than one class of shares.

13 Sec. 3. Section 533.4, subsection 4, Code 1983, is amended
14 to read as follows:

15 4. Deposit in state and national banks and in the Iowa
16 league corporate central credit union and its successors in
17 interest.

18 Sec. 4. Section 533.4, subsection 5, paragraph d, Code
19 1983, is amended to read as follows:

20 d. Paid-up ~~shares~~ deposits of savings and loan
21 associations, the ~~shares~~ deposits of which are insured by
22 the federal savings and loan insurance corporation.

23 Sec. 5. Section 533.4, subsection 5, paragraph g, Code
24 1983, is amended by striking the paragraph and inserting in
25 lieu thereof the following:

26 g. Shares, stocks, loans, and other obligations or a
27 combination thereof of an organization, corporation, or
28 association, provided the membership or ownership, as the
29 case may be, of the organization, corporation, or association
30 is primarily confined or restricted to credit unions or
31 organizations of credit unions and provided that the purpose
32 of the organization, corporation, or association is primarily
33 designed to provide services to credit unions, organizations
34 of credit unions, or credit union members. However, the
35 aggregate amount invested pursuant to this subsection shall

1 not exceed five percent of the assets of the credit union.

2 Sec. 6. Section 533.4, Code 1983, is amended by adding
3 the following new subsections:

4 NEW SUBSECTION. 22. Charge fees and penalties and apply
5 them to income.

6 NEW SUBSECTION. 23. Act as a fiscal agent of the state
7 of Iowa or the federal government and receive payments on
8 shares and deposits of a governmental subdivision of the state
9 or the federal government.

10 NEW SUBSECTION. 24. Engage in any activity authorized
11 by the administrator which would be permitted if the credit
12 union were federally chartered.

13 Sec. 7. Section 533.5, Code 1983, is amended to read as
14 follows:

15 533.5 MEMBERSHIP. Credit union membership shall consist
16 of the incorporators and other persons who may be elected
17 to membership and subscribe for at least one share, and who
18 pay the installment thereon and the entrance fee, if any.
19 To continue membership, a member must comply with any changes
20 in the par value of the share. Organizations, incorporated
21 or otherwise, composed for the most part of the same general
22 group as the credit union membership may be members. Credit
23 union organization shall be limited to groups of individuals
24 who have a common bond of occupation or association, or to
25 groups of individuals who reside within a well-defined
26 neighborhood, community, or rural district. However,
27 membership also may be extended to persons related to a member
28 within the common bond by the first or second degree of
29 consanguinity or affinity, including foster children and
30 adopted children, and to such relatives of a deceased member.
31 If adopted as a policy by the board of directors of a credit
32 union, members who cease to meet the qualifications of
33 membership may retain their credit union membership and all
34 membership privileges.

35 Sec. 8. Section 533.17, subsection 1, unnumbered paragraph

1 2, Code 1983, is amended to read as follows;

2 Whenever the legal reserve ~~fall~~ falls below ten percent
3 or seven and one-half percent of the total of outstanding
4 loans and risk assets, as the case may be, the difference
5 shall be replaced by regular contributions in order to maintain
6 the seven and one-half percent or ten percent reserve. ~~Any~~
7 ~~entrance-fees,-charges-and-transfer-fees-shall,-after-payment~~
8 ~~of-organization-expenses,-be-added-to-the-legal-reserve-~~
9 However, the administrator may waive the reserve requirement
10 when in the administrator's opinion a waiver is necessary
11 or desirable. The legal reserve shall belong to the credit
12 union and shall be used to meet losses ~~except-those-resulting~~
13 ~~from-an-excess-of-expenses-over-income.~~ The reserve shall
14 not be distributed to members as interest or dividends except
15 on liquidation of the credit union or in accordance with a
16 plan approved by the administrator.

17 EXPLANATION

18 This bill amends several areas of the existing credit union
19 statute.

20 Section 1 allows an out-of-state credit union to do business
21 in Iowa if an Iowa credit union would be permitted to do
22 business in the state which chartered the out-of-state credit
23 union.

24 Section 2 allows the credit union board of directors to
25 set without limitation the par value of shares.

26 Section 3 allows credit unions to deposit funds in the
27 Iowa league corporate central credit union.

28 Section 4 makes a technical change substituting the word
29 "deposits" for "shares" when referring to deposits in savings
30 and loan associations.

31 Section 5 allows a credit union, either by itself or with
32 other credit unions, to invest in a service corporation to
33 provide services to credit unions or credit union members.
34 Investment in such an organization is limited to no more than
35 five percent of a credit union's assets.

1 Section 6 provides credit unions with the power to charge
2 fees and penalties, act as a fiscal agent of the state or
3 federal government and accept governmental deposits, and
4 engage in any activity permitted federally-chartered credit
5 unions if approved by the administrator.

6 Section 7 provides that for a member of a credit union
7 to retain membership, the member must meet any changes in
8 the par value of the stock.

9 Section 8 allows the legal reserve to be used to meet all
10 losses, but not to be used as interest or dividend
11 distributions to members. Also the administrator could waive
12 the reserve requirement if in the administrator's opinion
13 it was necessary or desirable.

14 The bill becomes effective July 1 following enactment.

15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35