

FILED MAR 1 1984

SENATE FILE 2261

BY COMMITTEE ON COMMERCE

Approved 3/1 (J. 607)

(FORMERLY SSB 2109)

Passed Senate, Date 3-19-84 (J. 907) Passed House, Date _____

Vote: Ayes 46 Nays 0 Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the powers of state-chartered savings and
2 loan associations.

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

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S-2261

1 Section 1. NEW SECTION. 534.4 CAPITAL CERTIFICATES.

2 An association may issue and sell, directly or through under-
3 writers, capital certificates which shall represent non-
4 withdrawable capital contributions, and constitute part of
5 the reserves and net worth of the association. The
6 certificates shall have no voting rights, shall be subor-
7 dinate to all savings accounts, debt obligations and claims
8 of creditors of the association and shall constitute a claim
9 in liquidation against any reserves, surplus and other net
10 worth accounts remaining after the payment in full of all
11 savings accounts, debt obligations and claims of creditors.
12 The capital certificates may be entitled to the payment of
13 earnings prior to the allocation of income to surplus or other
14 net worth accounts of the association and may be issued with
15 a fixed rate of earnings or with a prior claim to distribution
16 of a specified percentage of net income remaining after
17 required allocations to reserves, or a combination thereof.
18 Losses shall be charged against capital certificates only
19 after reserves, surplus and other net worth accounts have
20 been exhausted.

21 Sec. 2. Section 534.5, subsection 1, Code 1983, is amended
22 to read as follows:

23 1. EXCLUSIVENESS OF ACCESS.

24 a. Every A member ~~shall have the right to~~ may inspect
25 ~~such~~ the books and records of an association as they pertain
26 to the member's loan or savings investment. Otherwise, the
27 right of inspection and examination of the books and records
28 ~~shall be~~ is limited ~~(a)~~ to the following:

29 (1) The supervisor or a duly authorized representative
30 ~~as provided in this chapter (b) to persons.~~

31 (2) Persons duly authorized to act for the association,
32 ~~and (c) to any.~~

33 (3) A federal instrumentality or agency authorized to
34 inspect or examine the books and records of an insured
35 association or of an uninsured member by the federal home

1 loan bank.

2 b. The accounts and loans of members shall be kept
3 confidential by the association, its directors, officers and
4 employees, and by the supervisor and the supervisor's examiners
5 and representatives, ~~provided that~~. However, the association
6 may, upon receipt of the written consent of a member, furnish
7 information concerning that member's loans and savings
8 investments to a person who the association has reason to
9 believe intends to use the information in connection with
10 a credit transaction involving the member on whom the
11 information is to be furnished and involving the extension
12 of credit to, or review or collection of an account of, the
13 member. However, written consent of a member is not required
14 for the release of information concerning the member's loans
15 and savings investments to any of the following:

- 16 (1) Another association.
17 (2) A federal association.
18 (3) A bank.
19 (4) A credit union.
20 (5) An industrial loan company.
21 (6) A bona fide credit bureau.
22 (7) A real estate broker seeking the information in
23 connection with the closing of a loan involving a member.
24 (8) A person acting in a fiduciary capacity as an agent
25 for the member. No

26 c. A member or any other person shall not have access
27 to the books and records except upon express action and
28 authority of the board of directors.

29 d. ~~Every~~ An association shall compile prior to its annual
30 meeting, and shall make available to any member upon request
31 of the member, a list by name of the aggregate remuneration
32 paid by the association during the preceding fiscal year to
33 each of the association's five highest paid officers and to
34 each director of the association.

35 Sec. 3. Section 534.17, subsection 1, Code 1983, is amended

1 to read as follows:

2 1. An association may invest without limit, except as
3 expressly stated, in any of the following securities: ~~(a)~~
4 ~~in-obligations~~

5 a. Obligations of, or obligations which are guaranteed
6 as to principal and interest by, the United States or this
7 state; ~~(b)~~ ~~in-stock.~~

8 b. Stock of a federal home loan bank of which ~~is~~ the
9 association is eligible to be a member; and ~~in~~ any obligation
10 or consolidated obligations of any federal home loan bank
11 or banks; ~~(c)~~ ~~in-stock.~~

12 c. Stock or obligations of the federal savings and loan
13 insurance corporation; ~~(d)~~ ~~in-stock.~~

14 d. Stock, obligations, or other instruments of the federal
15 national mortgage association, the government national mortgage
16 association, the federal home loan mortgage corporation, or
17 any successor; ~~(e)~~ ~~in-demand.~~

18 e. Demand time or savings deposits, ~~in~~ or bankers
19 acceptances with any bank or trust company the deposits of
20 which are insured by the federal deposit insurance corporation;
21 ~~(f)~~ ~~in-stock.~~

22 f. Stock or obligations of any corporation or agency of
23 the United States or this state; or ~~in~~ deposits ~~therewith~~
24 of the corporation or agency to the extent that ~~such~~ the
25 corporation or agency assists in furthering or facilitating
26 the association's purposes or powers; ~~(g)~~ ~~in-savings.~~

27 g. Savings accounts of any savings and loan association
28 ~~operating under the provisions of this chapter and of any~~
29 ~~federal savings and loan association;~~ ~~(h)~~ ~~in-bonds;~~ the
30 deposits of which are insured by the federal savings and loan
31 insurance corporation.

32 h. Bonds, notes, or other evidences of indebtedness which
33 are a general obligation of any a city, village, county,
34 school district, or other municipal or political subdivision
35 so long as the total investment ~~in-such-corporation~~ under

1 this paragraph does not exceed five percent of the assets
 2 of the association, except that any ~~of these~~ investments which
 3 are securities or obligations which are evidence of first
 4 mortgage liens on real estate are exempt from the five percent
 5 limitation, ~~(i) in bonds.~~

6 i. Bonds secured by an interest in real estate, ~~(j) in~~
 7 ~~capital.~~

8 j. Capital stock, obligations, or other securities of
 9 service corporations, provided that the aggregate investment
 10 in service corporations shall not exceed ~~five percent of the~~
 11 ~~assets of the association at any time prior to July 1, 1983,~~
 12 ~~or six percent of assets on or after July 1, 1983 and prior~~
 13 ~~to July 1, 1984, or seven percent of assets of the association~~
 14 on or after July 1, 1984, and prior to July 1, 1985, or eight
 15 percent of assets on or after July 1, 1985 and prior to July
 16 1, 1986, or nine percent of assets on or after July 1, 1986
 17 and prior to July 1, 1987, or ten percent of assets at any
 18 time on or after July 1, 1987, ~~and (k) in an.~~

19 k. An open end management investment company registered
 20 under the federal Investment Company Act of 1940, the portfolio
 21 of which is restricted to investments in which an association
 22 may invest.

23 Sec. 4. Section 534.19, subsection 7, Code 1983, is amended
 24 to read as follows:

25 7. POWER TO BORROW. ~~if and when~~ Except as provided by
 26 its articles of incorporation, an association ~~is not a member~~
 27 ~~of a federal home loan bank, it shall have power to~~ may borrow
 28 not more than an aggregate amount equal to ~~one-fourth of~~ its
 29 savings liability on the date of borrowing. ~~if and when an~~
 30 ~~association is a member of a federal home loan bank, it shall~~
 31 ~~have power to secure advances of not more than an aggregate~~
 32 ~~amount equal to one-half of its savings liability.~~ ~~Within~~
 33 ~~such amount equal to one-half of its savings liability, the~~
 34 ~~association may borrow from sources other than such federal~~
 35 ~~home loan bank an aggregate amount not in excess of ten percent~~

1 ~~of-its-savings-liability-~~ A subsequent reduction of savings
2 liability shall not affect in any way outstanding obligations
3 for borrowed money. All ~~such~~ loans and advances may be secured
4 by property of the association. In addition to the above
5 unsecured or secured borrowing, an association may issue ~~such~~
6 notes, bonds, debentures and other obligations or securities,
7 ~~except-capital-stock,-as-are~~ approved by the supervisor of
8 savings and loan associations, and if authorized by the
9 regulations of the federal home loan bank, ~~as-long-as-the~~
10 ~~total-amount-of-funds-borrowed-under-this-sentence-shall-not~~
11 ~~exceed-five-percent-of-the-withdrawable-accounts-of-the~~
12 ~~association-and-provided-that-such.~~ However, the obligations
13 and securities shall ~~be~~ are subject to the priority of the
14 rights of the owners of the savings and deposits of said the
15 association.

16 Sec. 5. Section 534.19, subsection 13, Code 1983, is
17 amended to read as follows:

18 13. CONSUMER LOANS AND CERTAIN SECURITIES. An association
19 may make consumer loans as defined in chapter 537, subject
20 to the consumer loan provisions of that chapter. An
21 association may invest in, sell, or hold commercial paper,
22 corporate debt securities and bankers acceptances. The
23 ~~aggregate-amount-of-such-loans-and-investments-at-any-time~~
24 ~~may-not-exceed-twenty-percent-of-the-assets-of-the-association-~~
25 ~~However,-this-authority-is-available-only-for-periods-of-time~~
26 ~~when-federally-chartered-savings-and-loan-associations~~
27 ~~operating-in-this-state-are-granted-similar-authority,-and~~
28 ~~the-state-authorization-is-subject-to-the-rights-and~~
29 ~~limitations-imposed-upon-the-federally-chartered-associations~~
30 ~~for-this-type-of-activity-~~

31 Sec. 6. Section 534.79, subsection 6, Code 1983, is amended
32 to read as follows:

33 6. BALLOON PAYMENTS. An association shall mail to the
34 borrower an offer to refinance a balloon payment under a loan
35 at least twenty days prior to the balloon payment date if

1 at that time no payments under the loan are delinquent. Such
2 The offer shall be at an interest rate no greater than one
3 percent per annum above the index rate, and with monthly
4 payments no greater than those necessary to fully amortize
5 the amount of the balloon payment plus interest over a term
6 ending-thirty-years-after-the-first-loan-to-the-borrower
7 secured-by-the-real-estate-securing-the-loan-to-be-refinanced,
8 and which, when added together with the term representing
9 the number of monthly payments made prior to the most recent
10 notice to refinance, is not less than the original loan term.
11 The association must offer to the borrower a term of at least
12 one year before the next balloon payment. Where the balloon
13 payment is due one month after the preceding monthly payment
14 date, the association may require the borrower to make a
15 payment equal to the preceding monthly payment on the balloon
16 payment date if the first payment under the note to refinance
17 the balloon note is one month after the balloon payment date.
18 The association may offer repayment plans to refinance a
19 balloon payment in addition to the plan required by this
20 subsection. For purposes of this subsection the term "loan"
21 means as defined in section 535.8, subsection 1; the term
22 "balloon payment" means a payment which is more than three
23 times as big as the mean average of the payments which precede
24 it; and the term "index rate" means the national average
25 mortgage contract rate for major lenders on the purchase of
26 previously occupied homes which is most recently published
27 in final form by the federal home loan bank board one month
28 prior to the date on which the balloon payment is due.

29 Sec. 7. Section 534.15, Code 1983, is repealed.

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EXPLANATION

31 This bill amends chapter 534 governing the operations of
32 state-chartered savings and loan associations.

33 Section 1 authorizes the issuance and sale of capital
34 certificates.

35 Section 2 permits the release of an association member's

1 account information to certain authorized persons without
2 having to obtain the written consent of the member.

3 Section 3 permits associations to invest in out-of-state,
4 state-chartered savings and loan associations. The change
5 would allow investments in any insured association or bank.

6 Section 4 expands the limit on the amount of money which
7 can be borrowed by an association to an amount equal to the
8 association's savings liability.

9 Section 5 removes restrictions on an association's con-
10 sumer loans and investments in commercial paper, corporate
11 debt, and bankers acceptances.

12 Section 6 provides that an association that must offer
13 to refinance a balloon payment must provide that the term
14 of the refinancing shall not be less than the original term
15 if the term of the refinancing is added together with the
16 previous term representing the number of monthly payments
17 that had been made prior to the notice to refinance.

18 Section 7 repeals the section which prohibits associations
19 from conducting "banking business" or accepting savings without
20 issuing evidence of savings liability.

21 This bill becomes effective July 1 following enactment.

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S-5413

1 Amend Senate File 2261 as follows:

2 1. Page 2, by inserting after line 34 the
3 following:

4 "Sec. 101. Section 534.10, Code 1983, is amended
5 to read as follows:

6 534.10 SAVINGS LIABILITY. The savings liability
7 of an association is not limited, but ~~shall consist~~
8 consists only of the aggregate amount of share accounts
9 of its members, plus dividends credited to ~~such the~~
10 accounts, less redemption and withdrawal payments.
11 Except as limited by the board of directors ~~from-time~~
12 ~~to-time~~, a member may make additions to ~~his the~~
13 member's share account in such the amounts and at
14 such the times as-he-may-elect the member elects.
15 Share accounts shall be opened for cash. The members
16 of an association ~~shall are not be~~ responsible for
17 ~~any~~ losses which its savings liability ~~shall is not~~
18 ~~be~~ sufficient to satisfy, and share accounts ~~shall~~
19 ~~are not be~~ subject to assessment, nor ~~shall are the~~
20 holders thereof be of share accounts liable for any
21 unpaid installments on their accounts. Dividends
22 shall be declared in accordance with ~~the-provisions~~
23 ~~of~~ this chapter. ~~No~~ An association shall not prefer
24 one of its share accounts over any other share account
25 as to the right to participate in dividends as to
26 time or amount, ~~excepting~~ except that an association
27 may classify its savings accounts according to the
28 location of the offices at which the accounts are
29 opened, the character, amount or duration thereof
30 of the accounts, or the regularity of additions thereto
31 to the accounts, and may agree in advance to pay an
32 additional rate of earnings for particular classes
33 of accounts such as a variable rate or bonus for
34 saving larger amounts, or for maintaining ~~such~~ savings
35 over a longer period of time or with regularity, as
36 determined by the board of directors, ~~-however.~~
37 However, all ~~such~~ classes of accounts shall be
38 available to all qualifying members. The board of
39 directors may also determine that earnings shall not
40 be paid on ~~any-such an~~ account which has a withdrawable
41 value in an amount less than fifty dollars. ~~No~~
42 ~~preference~~ Preference between share account members
43 shall not be created with respect to the distribution
44 of assets upon voluntary or involuntary liquidation,
45 dissolution, or winding up of an association. ~~No~~
46 An association shall have-power-to not contract with
47 respect to the savings liability in a manner
48 inconsistent with ~~the-provisions-of~~ this chapter."

49 2. Page 6, by inserting after line 28 the
50 following:

S-5413

PAGE 2

1 "Sec. 102. NEW SECTION. 534.98 NAME. The name
2 of an association shall contain the words "savings
3 bank" or the words "savings and loan association". "

4 3. Page 6, by inserting after line 28 the
5 following:

6 "Sec. 103. NEW SECTION. 534.99 POWERS OF SAVINGS
7 BANKS. A savings bank organized under this chapter
8 may exercise the same powers as a federally-chartered
9 savings bank so long as those powers are consistent
10 with this chapter."

11 4. Renumber as necessary.

S-5413 FILED

BY EDGAR H. HOLDEN

MARCH 15, 1984

Adopted 3/15 (p. 907)

House Bill of Business 3/21

Senate File 2261

Small Business and Commerce: Gronstal, Chair; Chiodo and Schroeder.

NATE FILE **2261**

Amend for SB 31 + Bc Pass 3/23 (p. 1251)

BY COMMITTEE ON COMMERCE

(AS AMENDED AND PASSED BY THE SENATE MARCH 19, 1984)

Passed Senate, Date 4-2-84 (p. 1236) Passed House, Date 3-22-84 (p. 1418)

Vote: Ayes 45 Nays 0 Vote: Ayes 96 Nays 1

Approved April 19, 1984 (p. 1768)

A BILL FOR

- 1 An Act relating to the powers of state-chartered savings and
- 2 loan associations.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

HOUSE AMENDMENT TO SENATE FILE 2261

S-5704

- 1 Amend Senate File 2261 as amended, passed and
- 2 reprinted by the Senate, as follows:
- 3 1. Page 2, line 15, by striking the words "and
- 4 savings investments."
- 5 2. Page 8, by striking lines 2 through 5.

S-5704 FILED
MARCH 30, 1984

RECEIVED FROM THE HOUSE
Senate concurred 4/2 (p. 1236)

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1 Section 1. NEW SECTION. 534.4 CAPITAL CERTIFICATES.
2 An association may issue and sell, directly or through under-
3 writers, capital certificates which shall represent non-
4 withdrawable capital contributions, and constitute part of
5 the reserves and net worth of the association. The
6 certificates shall have no voting rights, shall be subor-
7 dinate to all savings accounts, debt obligations and claims
8 of creditors of the association and shall constitute a claim
9 in liquidation against any reserves, surplus and other net
10 worth accounts remaining after the payment in full of all
11 savings accounts, debt obligations and claims of creditors.
12 The capital certificates may be entitled to the payment of
13 earnings prior to the allocation of income to surplus or other
14 net worth accounts of the association and may be issued with
15 a fixed rate of earnings or with a prior claim to distribution
16 of a specified percentage of net income remaining after
17 required allocations to reserves, or a combination thereof.
18 Losses shall be charged against capital certificates only
19 after reserves, surplus and other net worth accounts have
20 been exhausted.

21 Sec. 2. Section 534.5, subsection 1, Code 1983, is amended
22 to read as follows:

23 1. EXCLUSIVENESS OF ACCESS.

24 a. Every A member ~~shall have the right to~~ may inspect
25 ~~such~~ the books and records of an association as they pertain
26 to the member's loan or savings investment. Otherwise, the
27 right of inspection and examination of the books and records
28 ~~shall be~~ is limited ~~(a)~~ to the following:

29 (1) The supervisor or a duly authorized representative
30 ~~as provided in this chapter (b) to persons.~~

31 (2) Persons duly authorized to act for the association,
32 ~~and (c) to any.~~

33 (3) A federal instrumentality or agency authorized to
34 inspect or examine the books and records of an insured
35 association or of an uninsured member by the federal home

1 loan bank.

2 b. The accounts and loans of members shall be kept
3 confidential by the association, its directors, officers and
4 employees, and by the supervisor and the supervisor's examiners
5 and representatives, ~~provided that.~~ However, the association
6 may, upon receipt of the written consent of a member, furnish
7 information concerning that member's loans and savings
8 investments to a person who the association has reason to
9 believe intends to use the information in connection with
10 a credit transaction involving the member on whom the
11 information is to be furnished and involving the extension
12 of credit to, or review or collection of an account of, the
13 member. However, written consent of a member is not required
14 for the release of information concerning the member's loans
15 and savings investments to any of the following:

- 16 (1) Another association.
17 (2) A federal association.
18 (3) A bank.
19 (4) A credit union.
20 (5) An industrial loan company.
21 (6) A bona fide credit bureau.
22 (7) A real estate broker seeking the information in
23 connection with the closing of a loan involving a member.
24 (8) A person acting in a fiduciary capacity as an agent
25 for the member. No

26 c. A member or any other person shall not have access
27 to the books and records except upon express action and
28 authority of the board of directors.

29 d. Every An association shall compile prior to its annual
30 meeting, and shall make available to any member upon request
31 of the member, a list by name of the aggregate remuneration
32 paid by the association during the preceding fiscal year to
33 each of the association's five highest paid officers and to
34 each director of the association.

35 Sec. 3. Section 534.10, Code 1983, is amended to read

1 as follows:

2 534.10 SAVINGS LIABILITY. The savings liability of an
3 association is not limited, but ~~shall-consist~~ consists only
4 of the aggregate amount of share accounts of its members,
5 plus dividends credited to ~~such~~ the accounts, less redemption
6 and withdrawal payments. Except as limited by the board of
7 directors ~~from-time-to-time~~, a member may make additions to
8 his ~~the~~ member's share account in ~~such~~ the amounts and at
9 ~~such~~ the times ~~as-he-may-elect~~ the member elects. Share
10 accounts shall be opened for cash. The members of an
11 association ~~shall~~ are not be responsible for any losses which
12 its savings liability ~~shall~~ is not be sufficient to satisfy,
13 and share accounts ~~shall~~ are not be subject to assessment,
14 nor ~~shall~~ are the holders thereof ~~be of~~ share accounts liable
15 for any unpaid installments on their accounts. Dividends
16 shall be declared in accordance with ~~the-provisions-of~~ this
17 chapter. No An association shall not prefer one of its share
18 accounts over any other share account as to the right to
19 participate in dividends as to time or amount, excepting
20 except that an association may classify its savings accounts
21 according to the location of the offices at which the accounts
22 are opened, the character, amount or duration thereof of the
23 accounts, or the regularity of additions thereto to the
24 accounts, and may agree in advance to pay an additional rate
25 of earnings for particular classes of accounts such as a
26 variable rate or bonus for saving larger amounts, or for
27 maintaining ~~such~~ savings over a longer period of time or with
28 regularity, as determined by the board of directors, ~~however.~~
29 However, all ~~such~~ classes of accounts shall be available to
30 all qualifying members. The board of directors may also
31 determine that earnings shall not be paid on ~~any-such~~ an
32 account which has a withdrawable value in an amount less than
33 fifty dollars. No-preference Preference between share account
34 members shall not be created with respect to the distribution
35 of assets upon voluntary or involuntary liquidation,

1 dissolution, or winding up of an association. No An
 2 association shall have power to not contract with respect
 3 to the savings liability in a manner inconsistent with the
 4 provisions of this chapter.

5 Sec. 4. Section 534.17, subsection 1, Code 1983, is amended
 6 to read as follows:

7 1. An association may invest without limit, except as
 8 expressly stated, in any of the following securities: ~~(a)~~
 9 ~~in obligations~~

10 a. Obligations of, or obligations which are guaranteed
 11 as to principal and interest by, the United States or this
 12 state; ~~(b) in stock.~~

13 b. Stock of a federal home loan bank of which ~~it~~ the
 14 association is eligible to be a member; and ~~in~~ any obligation
 15 or consolidated obligations of any federal home loan bank
 16 or banks; ~~(c) in stock.~~

17 c. Stock or obligations of the federal savings and loan
 18 insurance corporation; ~~(d) in stock.~~

19 d. Stock, obligations, or other instruments of the federal
 20 national mortgage association, the government national mortgage
 21 association, the federal home loan mortgage corporation, or
 22 any successor; ~~(e) in demand.~~

23 e. Demand time or savings deposits, ~~in~~ or bankers
 24 acceptances with any bank or trust company the deposits of
 25 which are insured by the federal deposit insurance corporation;
 26 ~~(f) in stock.~~

27 f. Stock or obligations of any corporation or agency of
 28 the United States or this state; or ~~in~~ deposits ~~therewith~~
 29 of the corporation or agency to the extent that ~~such~~ the
 30 corporation or agency assists in furthering or facilitating
 31 the association's purposes or powers; ~~(g) in savings.~~

32 g. Savings accounts of any savings and loan association
 33 ~~operating under the provisions of this chapter and of any~~
 34 ~~federal savings and loan association;~~ ~~(h) in bonds;~~ the
 35 deposits of which are insured by the federal savings and loan

1 insurance corporation.

2 h. Bonds, notes, or other evidences of indebtedness which
3 are a general obligation of any a city, village, county,
4 school district, or other municipal or political subdivision
5 so long as the total investment ~~in-such-corporation~~ under
6 this paragraph does not exceed five percent of the assets
7 of the association, except that any ~~of-these~~ investments which
8 are securities or obligations which are evidence of first
9 mortgage liens on real estate are exempt from the five percent
10 limitation; ~~-(i)-in-bonds.~~

11 i. Bonds secured by an interest in real estate; ~~-(j)-in~~
12 ~~capital.~~

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14 service corporations, provided that the aggregate investment
15 in service corporations shall not exceed ~~five-percent-of-the~~
16 ~~assets-of-the-association-at-any-time-prior-to-July-17-1983,~~
17 ~~or-six-percent-of-assets-on-or-after-July-17-1983-and-prior~~
18 ~~to-July-17-1984-or~~ seven percent of assets of the association
19 on or after July 1, 1984, and prior to July 1, 1985, or eight
20 percent of assets on or after July 1, 1985 and prior to July
21 1, 1986, or nine percent of assets on or after July 1, 1986
22 and prior to July 1, 1987, or ten percent of assets at any
23 time on or after July 1, 1987; ~~and-(k)-in-an.~~

24 k. An open end management investment company registered
25 under the federal Investment Company Act of 1940, the portfolio
26 of which is restricted to investments in which an association
27 may invest.

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30 7. POWER TO BORROW. ~~If-and-when~~ Except as provided by
31 its articles of incorporation, an association ~~is-not-a-member~~
32 ~~of-a-federal-home-loan-bank,-it-shall-have-power-to~~ may borrow
33 not more than an aggregate amount equal to ~~one-fourth-of~~ its
34 savings liability on the date of borrowing. ~~If-and-when-an~~
35 ~~association-is-a-member-of-a-federal-home-loan-bank,-it-shall~~

1 have-power-to-secure-advances-of-not-more-than-an-aggregate
 2 amount-equal-to-one-half-of-its-savings-liability.--Within
 3 such-amount-equal-to-one-half-of-its-savings-liability,-the
 4 asseociation-may-borrow-from-sourees-other-than-such-federal
 5 home-loan-bank-an-aggregate-amount-not-in-excess-of-ten-percent
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 14 regulations of the federal home loan bank,-as-long-as-the
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 17 asseociation-and-provided-that-such. However, the obligations
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 19 rights of the owners of the savings and deposits of said the
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 26 association may invest in, sell, or hold commercial paper,
 27 corporate debt securities and bankers acceptances. The
 28 aggregate-amount-of-such-loans-and-investments-at-any-time
 29 may-not-exceed-twenty-percent-of-the-assets-of-the-association;
 30 However,-this-authority-is-available-only-for-periods-of-time
 31 when-federally-chartered-savings-and-loan-associations
 32 operating-in-this-state-are-granted-similar-authority,-and
 33 the-state-authorization-is-subject-to-the-rights-and
 34 limitations-imposed-upon-the-federally-chartered-associations
 35 for-this-type-of-activity.

1 Sec. 7. Section 534.79, subsection 6, Code 1983, is amended
2 to read as follows:

3 6. BALLOON PAYMENTS. An association shall mail to the
4 borrower an offer to refinance a balloon payment under a loan
5 at least twenty days prior to the balloon payment date if
6 at that time no payments under the loan are delinquent. Such
7 The offer shall be at an interest rate no greater than one
8 percent per annum above the index rate, and with monthly
9 payments no greater than those necessary to fully amortize
10 the amount of the balloon payment plus interest over a term
11 ending-thirty-years-after-the-first-loan-to-the-borrower
12 secured-by-the-real-estate-securing-the-loan-to-be-refinanced,
13 and which, when added together with the term representing
14 the number of monthly payments made prior to the most recent
15 notice to refinance, is not less than the original loan term.
16 The association must offer to the borrower a term of at least
17 one year before the next balloon payment. Where the balloon
18 payment is due one month after the preceding monthly payment
19 date, the association may require the borrower to make a
20 payment equal to the preceding monthly payment on the balloon
21 payment date if the first payment under the note to refinance
22 the balloon note is one month after the balloon payment date.
23 The association may offer repayment plans to refinance a
24 balloon payment in addition to the plan required by this
25 subsection. For purposes of this subsection the term "loan"
26 means as defined in section 535.8, subsection 1; the term
27 "balloon payment" means a payment which is more than three
28 times as big as the mean average of the payments which precede
29 it; and the term "index rate" means the national average
30 mortgage contract rate for major lenders on the purchase of
31 previously occupied homes which is most recently published
32 in final form by the federal home loan bank board one month
33 prior to the date on which the balloon payment is due.

34 Sec. 8. NEW SECTION. 534.98 NAME. The name of an
35 association shall contain the words "savings bank" or the

1 words "savings and loan association".

2 Sec. 9. NEW SECTION. 534.99 POWERS OF SAVINGS BANKS.

3 A savings bank organized under this chapter may exercise the
4 same powers as a federally-chartered savings bank so long
5 as those powers are consistent with this chapter.

6 Sec. 10. Section 534.15, Code 1983, is repealed.

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- 1 Amend Senate File 2261 as amended, passed and
 2 reprinted by the Senate, as follows:
 3 1. Page 2, line 13, by striking the word "However,"
 4 and inserting in lieu thereof the following: "The
 5 association is not required to obtain".
 6 2. Page 2, line 14, by striking the word "loans"
 7 and inserting in lieu thereof the word "account".
 8 3. Page 2, line 15, by striking the words "and
 9 savings investments".
 10 4. Page 2, line 21, by inserting after the word
 11 "bureau" the words "located in this state".
 12 5. Page 2, by inserting after line 25 the
 13 following:
 14 "However, the institution or person listed in
 15 subparagraphs (i) through (8) shall obtain written
 16 consent of the member prior to requesting the
 17 information from an association."
 18 6. By striking page 2, line 35 through page 4,
 19 line 4.
 20 7. By striking page 5, line 28 through page 6,
 21 line 20.
 22 8. By striking page 7, line 34 through page 8,
 23 line 5.
 24 9. Renumber as necessary.

H-5831 FILED MARCH 23, 1984

BY COMMITTEE ON SMALL BUSINESS AND
COMMERCE*Adopted as amended by 5893 3/28*

SENATE FILE 2261

H-5892

- 1 Amend Senate File 2261 as amended, passed and
 2 reprinted by the Senate as follows:
 3 1. Page 6, by inserting after line 35 the
 4 following:
 5 "Sec. 102. Section 534.75, Code Supplement 1983,
 6 is amended by adding the following new subsection
 7 5 and renumbering the subsequent subsections:
 8 NEW SUBSECTION. 5. An association or service
 9 corporation may engage in real estate brokerage only
 10 to the same extent as a federal association is
 11 permitted to engage in real estate brokerage. However,
 12 an association or service corporation, which as of
 13 March 1, 1984, was engaged in real estate brokerage
 14 in excess of that permitted under this subsection,
 15 may continue those activities."
 16 2. Renumber as necessary.

H-5892 FILED MARCH 27, 1984

BY SKOW of Guthrie
GROTH of Buena Vista*Referred not germane 3/28 (p. 1417)*

SENATE FILE 2261

H-5893

1 Amend amendment H-5831 to Senate File 2261 as
2 amended, passed and reprinted by the Senate, as
3 follows:

4 1. Page 1, by striking lines 3 through 24 and
5 inserting in lieu thereof the following:

6 "1. Page 2, line 15, by striking the words "and
7 savings investments."

8 2. Page 8, by striking lines 2 through 5."

9 2. Renumber as necessary.

BY GRONSTAL of Pottawattamie
SCHROEDER of Pottawattamie
CHIODO of Polk

H-5893 FILED MARCH 27, 1984

Adopted 3/28 (p. 1416)

SENATE FILE 2261

AN ACT

RELATING TO THE POWERS OF STATE-CHARTERED SAVINGS AND LOAN ASSOCIATIONS.

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

Section 1. NEW SECTION. 534.4 CAPITAL CERTIFICATES. An association may issue and sell, directly or through underwriters, capital certificates which shall represent non-withdrawable capital contributions, and constitute part of the reserves and net worth of the association. The certificates shall have no voting rights, shall be subordinate to all savings accounts, debt obligations and claims of creditors of the association and shall constitute a claim in liquidation against any reserves, surplus and other net worth accounts remaining after the payment in full of all savings accounts, debt obligations and claims of creditors. The capital certificates may be entitled to the payment of earnings prior to the allocation of income to surplus or other net worth accounts of the association and may be issued with a fixed rate of earnings or with a prior claim to distribution of a specified percentage of net income remaining after required allocations to reserves, or a combination thereof. Losses shall be charged against capital certificates only after reserves, surplus and other net worth accounts have been exhausted.

Sec. 2. Section 534.5, subsection 1, Code 1983, is amended to read as follows:

1. EXCLUSIVENESS OF ACCESS.

a. ~~Every A member shall have the right to~~ inspect such the books and records of an association as they pertain to the member's loan or savings investment. Otherwise, the right of inspection and examination of the books and records ~~shall be~~ is limited ~~(a)~~ to the following:

~~(1) The supervisor or a duly authorized representative as provided in this chapter (b) to persons,~~

~~(2) Persons~~ duly authorized to act for the association, ~~and (c) to any.~~

~~(3) A~~ 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.

b. 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.~~ However, 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. However, written consent of a member is not required for the release of information concerning the member's loans to any of the following:

- (1) Another association.
- (2) A federal association.
- (3) A bank.
- (4) A credit union.
- (5) An industrial loan company.
- (6) A bona fide credit bureau.
- (7) A real estate broker seeking the information in connection with the closing of a loan involving a member.
- (8) A person acting in a fiduciary capacity as an agent for the member. No

c. A member or any other person shall not have access to the books and records except upon express action and authority of the board of directors.

d. Every An 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. 3. Section 534.10, Code 1983, is amended to read as follows:

534.10 SAVINGS LIABILITY. The savings liability of an association is not limited, but ~~shall consist~~ consists only of the aggregate amount of share accounts of its members, plus dividends credited to ~~such the~~ the accounts, less redemption and withdrawal payments. Except as limited by the board of directors ~~from time to time~~, a member may make additions to ~~his~~ the member's share account in ~~such the~~ the amounts and at ~~such the times as he may elect~~ the member elects. Share accounts shall be opened for cash. The members of an association ~~shall~~ are not be responsible for any losses which its savings liability ~~shall~~ is not be sufficient to satisfy, and share accounts ~~shall~~ are not be subject to assessment, nor ~~shall~~ are the holders ~~thereof-be~~ of share accounts liable for any unpaid installments on their accounts. Dividends shall be declared in accordance with ~~the provisions of~~ this chapter. No An association shall not prefer one of its share accounts over any other share account as to the right to participate in dividends as to time or amount, ~~excepting~~ except that an association may classify its savings accounts according to the location of the offices at which the accounts are opened, the character, amount or duration ~~thereof~~ of the accounts, or the regularity of additions thereto to the accounts, and may agree in advance to pay an additional rate of earnings for particular classes of accounts such as a variable rate or bonus for saving larger amounts, or for maintaining ~~such~~ such savings over a longer period of time or with regularity, as determined by the board of directors; ~~however,~~

However, all ~~such~~ such classes of accounts shall be available to all qualifying members. The board of directors may also determine that earnings shall not be paid on ~~any-such~~ any-such an account which has a withdrawable value in an amount less than fifty dollars. ~~No-preference~~ Preference between share account members shall not be created with respect to the distribution of assets upon voluntary or involuntary liquidation, dissolution, or winding up of an association. No An association shall ~~have-power-to~~ not contract with respect to the savings liability in a manner inconsistent with the ~~provisions of~~ this chapter.

Sec. 4. Section 534.17, subsection 1, Code 1983, is amended to read as follows:

1. An association may invest without limit, except as expressly stated, in any of the following securities: ~~(a)~~ (a) ~~in-obligations~~

a. Obligations of, or obligations which are guaranteed as to principal and interest by, the United States or this state; ~~(b)-in-stock.~~

b. Stock of a federal home loan bank of which ~~it~~ the association is eligible to be a member, and ~~in~~ any obligation or consolidated obligations of any federal home loan bank or banks; ~~(c)-in-stock.~~

c. Stock or obligations of the federal savings and loan insurance corporation; ~~(d)-in-stock.~~

d. Stock, obligations, or other instruments of the federal national mortgage association, the government national mortgage association, the federal home loan mortgage corporation, or any successor; ~~(e)-in-demand.~~

e. Demand time or savings deposits, ~~in~~ or bankers acceptances with any bank or trust company the deposits of which are insured by the federal deposit insurance corporation; ~~(f)-in-stock.~~

f. Stock or obligations of any corporation or agency of the United States or this state, or ~~in~~ deposits ~~therewith~~

of the corporation or agency to the extent that such the corporation or agency assists in furthering or facilitating the association's purposes or powers ~~(j) in savings.~~

g. Savings accounts of any savings and loan association ~~operating under the provisions of this chapter and of any federal savings and loan association (k) in bonds;~~ the deposits of which are insured by the federal savings and loan insurance corporation.

h. Bonds, notes, or other evidences of indebtedness which are a general obligation of any a city, village, county, school district, or other municipal or political subdivision so long as the total investment in such corporation under this paragraph does not exceed five percent of the assets of the association, 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 five percent limitation ~~(i) in bonds.~~

i. Bonds secured by an interest in real estate ~~(j) in capital.~~

j. 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 of the association~~ 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 ~~(k) in an.~~

k. 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. 5. Section 534.19, subsection 7, Code 1983, is amended to read as follows:

7. POWER TO BORROW. ~~If and when~~ Except as provided by its articles of incorporation, an association is ~~not a member of a federal home loan bank; it shall have power to~~ may borrow not more than an aggregate amount equal to ~~one-fourth of its savings liability on the date of borrowing. If and when an association is a member of a federal home loan bank; it shall have power to~~ secure advances of not more than an aggregate amount equal to one-half of its savings liability. ~~Within such amount equal to one-half of its savings liability, the association may borrow from sources other than such federal home loan bank an aggregate amount not in excess of ten percent of its savings liability.~~ A subsequent reduction of savings liability shall not affect in any way outstanding obligations for borrowed money. All ~~such~~ loans and advances may be secured by property of the association. In addition to the above unsecured or secured borrowing, an association may issue ~~such~~ notes, bonds, debentures and other obligations or securities ~~except capital stock, as are~~ approved by the supervisor of savings and loan associations, and if authorized by the regulations of the federal home loan bank ~~as long as the total amount of funds borrowed under this sentence shall not exceed five percent of the withdrawable accounts of the association and provided that such.~~ However, the obligations and securities ~~shall be~~ are subject to the priority of the rights of the owners of the savings and deposits of ~~said~~ the association.

Sec. 6. Section 534.19, subsection 13, Code 1983, is amended to read as follows:

13. CONSUMER LOANS AND CERTAIN SECURITIES. An association may make consumer loans as defined in chapter 537, subject to the consumer loan provisions of that chapter. An association may invest in, sell, or hold commercial paper, corporate debt securities and bankers acceptances. The

~~aggregate amount of such loans and investments at any time may not exceed twenty percent of the assets of the association. 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.~~

Sec. 7. Section 534.79, subsection 6, Code 1983, is amended to read as follows:

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~~ The offer shall be at an interest rate no greater than one percent per annum above the index rate, and with 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 which, when added together with the term representing the number of monthly payments made prior to the most recent notice to refinance, is not less than the original loan term.~~ The association must offer to the borrower 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. 8. NEW SECTION. 534.98 NAME. The name of an association shall contain the words "savings bank" or the words "savings and loan association".

Sec. 9. Section 534.15, Code 1983, is repealed.

ROBERT T. ANDERSON
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2261, Seventieth General Assembly.

K. MARIE THAYER
Secretary of the Senate

Approved *April 19* 1984

TERRY E. BRANSTAD
Governor