

*Billman 1/22/56 (7 146)*

COMMERCE: Peterson, Chair; Priebe and Holden

SENATE FILE

396

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WELLS, TIEDEN, HALL,  
READINGER, MILLER of Des  
Moines, BRUNER and JENSEN

FILED MAR 7 1985

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

### A BILL FOR

1 An Act relating to powers, organization, reserve requirements  
2 and other requirements of credit unions including a  
3 corporate central credit union.

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

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1 Section 1. NEW SECTION. 533.47 EQUITY SHARE.

2 A credit union may establish an equity share having a par  
3 value not to exceed one hundred dollars which shall be a part  
4 of the capital of the credit union and shall not be withdrawn  
5 or transferred except upon termination of membership in the  
6 credit union. The equity share is not insured and may earn a  
7 dividend at the option of the credit union.

8 Sec. 2. Section 533.9, unnumbered paragraph 1, Code 1985,  
9 is amended to read as follows:

10 Within five days following the organization meeting and  
11 each annual meeting the directors shall elect from their own  
12 number a chairperson of the board, a vice chairperson,  
13 ~~president and a secretary, of whom the last two may be the~~  
14 ~~same individual,~~ and also a credit committee of not less than  
15 three members and an auditing committee of not less than three  
16 members, and may also elect alternate members of the credit  
17 committee. The board shall also elect or appoint a president  
18 who may be a member of the board of directors. ~~It shall be~~  
19 ~~the duty of the~~ The directors to have general management of  
20 the affairs of the credit union, particularly to:

21 Sec. 3. Section 533.9, subsection 7, unnumbered paragraph  
22 2, Code 1985, is amended to read as follows:

23 The duties of the officers shall be determined in the  
24 ~~bylaws, except that the president shall be the general~~  
25 ~~manager.~~ No A member of the board or of either committee  
26 ~~shall, as such,~~ not be compensated. However, at the option of  
27 the board, the president may receive compensation.

28 Sec. 4. Section 533.14, subsection 1, Code 1985, is  
29 amended to read as follows:

30 1. Interest rates on loans made by a credit union, other  
31 than loans secured by a mortgage or deed of trust which is a  
32 first lien upon real property, shall not exceed one-percent-a  
33 ~~month-on-unpaid-balances, except that with respect to consumer~~  
34 ~~loans, a credit union may charge the finance charge permitted~~  
35 in sections 537.2401 and 537.2402.

1 Sec. 5. Section 533.16, subsection 1, Code 1985, is  
2 amended to read as follows:

3 1. A credit union may loan to a member for a provident or  
4 productive purpose. Loans ~~shall be~~ are subject to the  
5 conditions contained in this section and in the bylaws. A  
6 loan may be repaid by the borrower, in whole or in part, any  
7 day the office of the credit union is open for business.  
8 Every A loan shall be pursuant to an application with  
9 supportive credit information. ~~Any credit or financial~~  
10 ~~information which is required shall be updated by the credit~~  
11 ~~union or by the member not less frequently than every eighteen~~  
12 ~~months for refinanced loans or for periodic advances made~~  
13 ~~under an open end credit plan.~~

14 Sec. 6. Section 533.17, subsection 1, Code 1985, is  
15 amended by striking the subsection and inserting in lieu  
16 thereof the following:

17 1. Immediately before the payment of a dividend, the  
18 credit union shall determine its gross earnings. A regular  
19 reserve for contingencies shall be set aside from the gross  
20 earnings in accordance with the following:

21 a. A credit union in operation for more than four years  
22 and having assets of five hundred thousand dollars or more  
23 shall set aside the following amounts in the following order:

24 (1) Ten percent of the gross income until the regular  
25 reserve equals four percent of the total outstanding loans or  
26 risk assets.

27 (2) Five percent of the gross income until the regular  
28 reserve equals six percent of the total outstanding loans and  
29 risk assets.

30 b. A credit union in operation for less than four years or  
31 having assets of less than five hundred thousand dollars shall  
32 set aside the following amounts in the order set forth:

33 (1) Ten percent of the gross income until the regular  
34 reserve equals seven and one-half percent of the total  
35 outstanding loans and risk assets.

1 (2) Five percent of the gross income until the regular  
2 reserve equals ten percent of the total outstanding loans and  
3 risk assets.

4 If the regular reserve falls below the percent of the total  
5 outstanding loans and risk assets required for a credit union  
6 by this subsection, the credit union shall replenish the  
7 regular reserve by regular contributions in the amounts needed  
8 to reach the required reserve. However, the administrator may  
9 waive the reserve requirement when in the administrator's  
10 opinion the waiver is necessary or desirable. The legal  
11 reserve shall belong to the credit union and shall be used to  
12 meet losses. The reserve shall not be distributed to members  
13 as interest or dividends except on liquidation of the credit  
14 union or in accordance with a plan approved by the  
15 administrator.

16 Sec. 7. Section 533.30, subsections 1 and 2, Code 1985,  
17 are amended by striking the subsections and inserting in lieu  
18 thereof the following:

19 1. With the approval of the administrator, a credit union  
20 may merge with another credit union under the existing charter  
21 of the other credit union if the merger is pursuant to a plan  
22 agreed upon by a majority of the board of directors of each  
23 credit union joining in the merger and the merger is approved  
24 by the affirmative vote of a majority of the members of the  
25 merging credit union present at a meeting of its members  
26 called for the purpose of voting on the merger.

27 The administrator may approve a merger according to the  
28 plan agreed upon by the majority of the board of directors of  
29 each credit union if the administrator receives a written and  
30 verified application filed by the board of directors of each  
31 credit union and finds all of the following:

32 a. Notice of the meeting called to consider the merger was  
33 mailed to each member entitled to vote upon the question.

34 b. The notice disclosed the purpose of the meeting and  
35 properly informed the membership that approval of the merger

1 would be sought pursuant to this subsection.

2 c. A majority of the votes upon the question were in favor  
3 of the merger.

4 The administrator may waive the membership merger vote if  
5 the administrator finds that an emergency exists which  
6 justifies the waiver.

7 2. The administrator may adopt rules establishing merger  
8 procedures.

9 Sec. 8. Section 533.38, Code 1985, is amended by striking  
10 the section and inserting in lieu thereof the following:

11 533.38 CORPORATE CENTRAL CREDIT UNION.

12 A corporate central credit union may be established.  
13 Credit unions organized under this chapter, the Federal Credit  
14 Union Act, or any other credit union act and credit union  
15 organizations may be members. In addition, regulated  
16 financial institutions and cooperative organizations may be  
17 members to the extent and manner provided for in the bylaws of  
18 the corporate central credit union. The corporate central  
19 credit union shall have all the powers, restrictions, and  
20 obligations imposed upon, or granted a credit union under this  
21 chapter, except that the corporate central credit union may do  
22 any of the following:

23 1. Make loans and extend lines of credit to its members  
24 without restriction.

25 2. Impose fees or penalties upon its members and apply  
26 them to income.

27 3. Make available share draft accounts without restriction  
28 and permit the owners of the accounts to make withdrawals by  
29 negotiable or other transferable instruments or other orders  
30 for the purpose of making transfers to third parties.

31 4. Borrow any amount from any source without restriction.

32 5. Invest in or purchase obligations or securities or  
33 other designated investments to the same extent authorized for  
34 other supervised financial institutions.

35 6. Invest in or acquire shares, stocks, or other

1 obligations of an organization providing services which are  
2 associated with the operations of credit unions. However, the  
3 aggregate amount invested pursuant to this subsection shall  
4 not exceed fifty percent of the total of all reserves and  
5 undivided earnings of the corporate credit union.

6 7. Buy or sell without limitation investment securities  
7 and corporate bonds which are evidences of indebtedness.  
8 However, the purchase or sale is limited to marketable  
9 obligations of a corporation or state or federal agency issued  
10 without recourse.

11 8. Sell all or part of its assets to another central or  
12 corporate credit union and assume the liabilities of a selling  
13 central or corporate credit union if the action is approved by  
14 the majority vote of the board of directors at a meeting  
15 called for that purpose.

16 9. Invest in the shares or deposits of another similarly  
17 organized corporate credit union, central credit union, or  
18 central liquidity facility.

19 10. Make other investments approved by the administrator.

20 11. The corporate central credit union shall not be  
21 required to transfer to its legal reserve more than five  
22 percent of its net income for the year.

23 EXPLANATION

24 Section 1 permits a credit union to establish an equity  
25 share of not more than one hundred dollars to be part of the  
26 capital of the credit union.

27 Section 2 provides for the election of the chairperson,  
28 vice chairperson, and secretary and the election or  
29 appointment of the president of the credit union.

30 Section 3 provides that the president of the credit union  
31 may receive compensation for that position if the board of  
32 directors so decides.

33 Section 4 provides that interest rates on loans made by a  
34 credit union other than loans secured by an interest in real  
35 estate shall not exceed the amounts permitted in the consumer

1 credit code.

2 Section 5 eliminates the requirement that any credit or  
3 financial information required for a refinanced loan or one  
4 with periodic advances must be updated at least every eighteen  
5 months by the credit union or member.

6 Section 6 establishes the amounts of regular reserve  
7 required by a credit union and specifies the manner in which  
8 the reserve shall be accumulated.

9 Section 7 permits the merger of two credit unions if  
10 pursuant to a plan, approved by the board of directors of each  
11 credit union, a majority of the members of the merging credit  
12 union present at a meeting held to consider the merger approve  
13 of the merger, and it is approved by the administrator.

14 Section 8 rewrites the provisions for the establishment of  
15 a corporate central credit union and specifies its powers.

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