

FILED MAR 10 1987

SENATE FILE 357  
BY BRUNER

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

A BILL FOR

1 An Act relating to financial institutions, providing for  
2 community reinvestment standards for and reports from state  
3 banks, state savings and loan associations, and state credit  
4 unions; conditioning permission for certain actions,  
5 participation in certain state programs, and eligibility for  
6 deposit of public funds on a financial institution's rating  
7 under a community reinvestment rating system; authorizing the  
8 director of the department of commerce to adopt rules for the  
9 reports and a community reinvestment rating system; and  
10 establishing a community reinvestment task force.

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

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1 Section 1. NEW SECTION. 525.1 SHORT TITLE.

2 This chapter shall be cited as the "Iowa Community  
3 Reinvestment Act".

4 Sec. 2. NEW SECTION. 525.2 DEFINITIONS.

5 As used in this chapter, unless the context requires  
6 otherwise:

7 1. "Department" means the department of commerce.

8 2. "Financial institution" means any of the following:

9 a. A state bank organized in this state or another state.

10 b. A national banking association.

11 c. A savings and loan association or other thrift  
12 institution organized in this state or another state.

13 d. A savings and loan association organized under federal  
14 law.

15 e. A credit union organized in this state or another  
16 state.

17 f. A credit union organized under federal law.

18 3. "Regulator" means one of the following:

19 a. The superintendent of the division of banking of the  
20 department of commerce for banks organized or regulated under  
21 chapter 524.

22 b. The superintendent of the division of savings and loan  
23 associations of the department of commerce for savings and  
24 loan associations organized or regulated under chapter 534.

25 c. The superintendent of the division of credit unions of  
26 the department of commerce for credit unions organized or  
27 regulated under chapter 533.

28 Sec. 3. NEW SECTION. 525.3 COMMUNITY REINVESTMENT  
29 RESPONSIBILITY.

30 A financial institution organized or regulated under  
31 chapters 524, 533, or 534 shall meet the credit needs of the  
32 community or communities in which it is located, including  
33 low-income and moderate-income neighborhoods and rural areas  
34 within the financial institution's basic service area,  
35 consistent with safe and sound operations of the financial

1 institution. Low-income and moderate-income neighborhoods are  
2 areas in which low-income or moderate-income families as  
3 defined in section 220.1, subsection 2, or lower-income or  
4 very low-income families defined in section 220.1, subsections  
5 3 and 4, comprise at least seventy percent of the area's  
6 population.

7 Sec. 4. NEW SECTION. 525.4 ANNUAL COMMUNITY REINVESTMENT  
8 DISCLOSURE REPORT.

9 A financial institution organized or regulated under  
10 chapters 524, 533, or 534, shall submit an annual report to  
11 the director of the department of commerce, in a form  
12 determined by the director, which describes the following:

13 1. The credit needs of the community served by the  
14 financial institution, and the method by which this  
15 determination was made.

16 2. The methods used to market to the community the credit  
17 services offered by the financial institution.

18 3. A description of how services actually provided by the  
19 financial institution satisfied the needs described in  
20 subsection 1.

21 4. The financial institution's participation in local,  
22 state, and federal business and economic development programs,  
23 small business assistance programs, programs addressing the  
24 financial needs of minorities, and programs that meet the  
25 specific credit needs of rural communities, including but not  
26 limited to, the rural economic development program and the  
27 rural agricultural diversification linked deposit program.  
28 The director of the department of commerce may specify by rule  
29 which programs must be included in the report.

30 A financial institution shall delineate the local community  
31 or communities that comprise its basic service area. The  
32 basic service area so claimed is subject to the approval of  
33 the department of commerce. The department may order an  
34 expansion or contraction of a financial institution's basic  
35 service area if the department finds the claimed area does not

1 correspond to the territory in fact served by the institution.  
2 The department may adopt rules for determination of basic  
3 service area based on a financial institution's facilities,  
4 business practices, and the location, distribution, and  
5 concentration of the institution's borrowers and depositors.

6 A financial institution shall provide a public notice in  
7 the lobby of each of its facilities which requests the public  
8 to submit comments to the financial institution regarding its  
9 community lending activities. Each institution shall maintain  
10 a file open to public inspection which contains the five most  
11 recent annual community reinvestment disclosure reports,  
12 public comments received on its community investment  
13 activities, and the institution's response to those comments.

14 Sec. 5. NEW SECTION. 525.5 COMMUNITY REINVESTMENT  
15 DISCLOSURE REQUIREMENTS.

16 A financial institution with more than ten million dollars  
17 of assets shall disclose as part of its annual community  
18 reinvestment disclosure report the following:

19 1. The number and aggregate dollar amount of housing,  
20 commercial, small business, agricultural, and consumer loans  
21 originated in the state in which the financial institution's  
22 principal place of business is located.

23 2. The number and aggregate dollar amount of housing,  
24 commercial, small business, agricultural, and consumer loans  
25 originated in this state.

26 3. The number and aggregate dollar amount of housing,  
27 commercial, small business, agricultural, and consumer loans  
28 originated within low-income and moderate-income neighborhoods  
29 within the institution's basic service area as determined in  
30 section 525.4. The department of commerce may, by rule or  
31 decision, determine the geographic boundaries of low-income  
32 and moderate-income neighborhoods within the state, or  
33 criteria for designating low-income and moderate-income  
34 neighborhoods within a financial institution's basic service  
35 area.

1       Sec. 6. NEW SECTION. 525.6 REQUIREMENTS OF FINANCIAL  
2 INSTITUTIONS NOT REGULATED BY IOWA STATUTES FOR PARTICIPATION  
3 IN CERTAIN PROGRAMS.

4       A financial institution operating in Iowa and not organized  
5 or regulated under chapters 524, 533, or 534, shall meet the  
6 reporting requirements under sections 525.4 and 525.5, and the  
7 ratings requirements under section 525.7 to be eligible for  
8 participation in programs or other privileges identified in  
9 section 525.8.

10       Sec. 7. NEW SECTION. 525.7 COMMUNITY REINVESTMENT RATING  
11 SYSTEM.

12       The director of the department of commerce shall adopt  
13 rules, not later than January 1, 1989, for a community  
14 reinvestment rating system for financial institutions, to be  
15 based upon a review of the information provided in a financial  
16 institution's annual community reinvestment disclosure report,  
17 and other information which the director finds to be relevant.  
18 The system must at least provide for a minimum acceptable  
19 community reinvestment rating and a top rating for exemplary  
20 community reinvestment, and the ratings and annual community  
21 reinvestment disclosure reports shall be public information.  
22 The rating system may contain more steps than an unacceptable  
23 rating, a minimum acceptable rating, and an exemplary rating.

24       Sec. 8. NEW SECTION. 525.8 ELIGIBILITY FOR PARTICIPATION  
25 IN CERTAIN STATE PROGRAMS CONDITIONED ON COMMUNITY  
26 REINVESTMENT GUIDELINES.

27       After July 1, 1989, unconditional eligibility for financial  
28 institutions to participate in the following programs is  
29 conditioned upon achieving a minimum acceptable community  
30 reinvestment rating under section 525.7, and preference shall  
31 be given to financial institutions achieving higher ratings,  
32 with the highest preferences given to financial institutions  
33 with exemplary ratings:

34       1. Deposit of public funds, including state treasury funds  
35 and the funds of political subdivisions.

- 1     2. State loan guarantee programs.
- 2     3. State interest rate buy-down programs.
- 3     4. Other financial programs offered through the use of
- 4 state funds.

5     A financial institution not receiving a minimum acceptable  
6 community reinvestment rating may receive conditional  
7 eligibility for such programs provided that the financial  
8 institution develops a proposal for improving its community  
9 reinvestment rating to an acceptable level within a period of  
10 no more than two years and the proposal is approved by the  
11 director of the department of commerce.

12     After July 1, 1989, eligibility for a financial institution  
13 to extend its service territory, acquire or merge with another  
14 financial institution, build or acquire a new facility,  
15 transfer a home office, or other action requiring approval of  
16 the financial institution's state regulator is conditioned  
17 upon achieving at least a minimum acceptable community  
18 reinvestment rating. The director may by rule condition  
19 approval or degree of approval for an action requiring a  
20 regulator's approval on higher community reinvestment ratings.  
21 The regulator may grant approval for an action of a financial  
22 institution receiving less than an acceptable community  
23 reinvestment rating if the regulator finds that the action is  
24 an essential part of a proposal approved by the director for  
25 improving the financial institution's community reinvestment  
26 rating to an acceptable level within a period of no more than  
27 two years.

28     Sec. 9. NEW SECTION. 525.9 COMMUNITY REINVESTMENT TASK  
29 FORCE ESTABLISHED.

30     A community reinvestment task force is established to  
31 recommend a community reinvestment rating system to the  
32 director of the department of commerce which will encourage  
33 financial institutions to invest in their communities and to  
34 meet the requirements of the Iowa community reinvestment act.  
35 The task force shall also recommend appropriate uses of a

1 rating system including incentives and disincentives for  
2 various levels of performance. The community reinvestment  
3 task force consists of seven individuals selected for their  
4 knowledge of the financial needs of Iowa's business, farm, and  
5 consumer communities, with none having a financial interest in  
6 or position with a financial institution. The majority and  
7 minority leaders in the senate, and the speaker and the  
8 minority leader in the house of representatives shall each  
9 appoint one member and the governor shall appoint three  
10 members of the task force. The task force shall report its  
11 recommendations to the director of the department of commerce  
12 not later than July 1, 1938, and shall submit proposed rules  
13 to implement the recommendations. The department of commerce  
14 and the legislative service bureau shall provide staff support  
15 to the task force.

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## EXPLANATION

17 This bill provides for an Iowa community reinvestment act.  
18 The bill would require state banks, state savings and loan  
19 associations, and state credit unions to submit an annual  
20 community reinvestment disclosure report with required  
21 analyses and disclosures, including but not limited to  
22 aggregate amounts of a variety of loan classifications. A  
23 community reinvestment rating system would be adopted by rule  
24 by the department of commerce with the guidance of a community  
25 reinvestment task force to be appointed by the leadership of  
26 the general assembly and the governor. Regulatory approval  
27 for certain actions by financial institutions, a financial  
28 institution's degree of participation in certain government  
29 programs, and eligibility for deposit of public funds, would  
30 be conditioned upon the community reinvestment rating received  
31 by that financial institution. National banks, federal  
32 savings and loan associations, and federal credit unions would  
33 have to voluntarily participate in the community reinvestment  
34 rating process to be eligible to enjoy the same privileges and  
35 participate in the same programs.