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#. F. 685 substituted 4/6 (p. 1235)

SENATE FILE 333  
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 197.1)

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

A BILL FOR

1 An Act relating to the acquisition of an interest in a bank  
2 located in Iowa or a bank holding company located in Iowa  
3 owning or controlling one or more banks in Iowa by an out-of-  
4 state regional bank holding company, and making penalties  
5 applicable.

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

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SF 333

3556 amended

1 Section 1. NEW SECTION. 524.1851 DEFINITIONS.

2 As used in this division, unless the context otherwise  
3 requires:

4 1. "Bank holding company" means a bank holding company as  
5 defined or referred to in the federal Bank Holding Company Act  
6 of 1956, 12 U.S.C. § 1841 et seq., as amended to January 1,  
7 1989.

8 2. "Community Reinvestment Act" means the federal  
9 Community Reinvestment Act of 1977, 12 U.S.C. § 2901 et seq.,  
10 as amended to January 1, 1989.

11 3. "Midwestern region" means the states of Illinois,  
12 Indiana, Iowa, Kansas, Minnesota, Missouri, Michigan,  
13 Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

14 4. "Out-of-state bank holding company" means an out-of-  
15 state bank holding company as defined or referred to in the  
16 federal Bank Holding Company Act of 1956, 12 U.S.C. § 1842(d),  
17 as amended to January 1, 1989.

18 5. "Regional bank holding company" means an out-of-state  
19 bank holding company located in the midwestern region.

20 6. "State in which the regional bank holding company is  
21 located" means the state in which the operations of the  
22 banking subsidiaries of the regional bank holding company are  
23 "principally conducted" as defined in the federal Bank Holding  
24 Company Act of 1956, 12 U.S.C. § 1842(d), as amended to  
25 January 1, 1989.

26 Sec. 2. NEW SECTION. 524.1852 RECIPROCITY.

27 A regional bank holding company may directly or indirectly  
28 acquire all or a portion of the voting securities or other  
29 capital stock of, or any interest in all or substantially all  
30 of the assets of, or power to control in any manner the  
31 election of any of the directors of, one or more banks  
32 conducting a banking business in this state or one or more  
33 bank holding companies located in this state and controlling  
34 one or more banks conducting a banking business in this state,  
35 if the state in which the regional bank holding company is

1 located would allow a bank holding company located in Iowa to  
2 acquire banks located in that state, provided that all of the  
3 requirements of this division are met.

4 Sec. 3. NEW SECTION. 524.1853 APPLICATION.

5 A regional bank holding company, other than a bank holding  
6 company authorized to make an acquisition by section 524.1805,  
7 which desires to make an acquisition as authorized by this  
8 division, shall file an application with the superintendent  
9 accompanied by an application fee of five thousand dollars  
10 payable to the superintendent. The application shall contain  
11 such information as the superintendent may prescribe by rule  
12 as necessary or appropriate. The applicant shall furnish to  
13 the superintendent all of the following:

14 1. Information establishing that the acquisition will  
15 promote the safety and soundness of the bank or bank holding  
16 company proposed to be acquired, including the subsidiary  
17 banks of the bank holding company proposed to be acquired.

18 2. Information demonstrating that the applicant intends to  
19 adequately meet the convenience and needs of the communities  
20 served by the bank or subsidiary banks of the bank holding  
21 company proposed to be acquired in accordance with the  
22 Community Reinvestment Act including, where applicable,  
23 information relating to the following:

24 a. Procedures proposed to be carried out by the banks or  
25 subsidiary banks of the bank holding company proposed to be  
26 acquired to ascertain the credit needs of the communities  
27 served by the banks or subsidiary banks of the bank holding  
28 company proposed to be acquired, including the extent of  
29 proposed efforts to communicate to such communities the credit  
30 services proposed to be provided by the banks or subsidiary  
31 banks of the bank holding company proposed to be acquired.

32 b. The extent of the proposed marketing and special  
33 credit-related programs to be conducted by the banks or  
34 subsidiary banks of the bank holding company proposed to be  
35 acquired to make the communities served by the banks or

1 subsidiary banks of the bank holding company proposed to be  
2 acquired aware of the credit services proposed to be offered  
3 by them.

4 c. The extent of proposed participation by the board of  
5 directors of the bank or subsidiary banks of the bank holding  
6 company proposed to be acquired in formulating the policies  
7 and reviewing the performance of the bank or subsidiary banks  
8 of the bank holding company proposed to be acquired in meeting  
9 the purposes of the Community Reinvestment Act.

10 d. The expected geographic distribution of credit  
11 extensions, credit applications, and credit denials of the  
12 bank or subsidiary banks of the bank holding company proposed  
13 to be acquired.

14 e. The proposed participation, including investments by  
15 the bank or subsidiary banks of the bank holding company  
16 proposed to be acquired in local community development and  
17 redevelopment projects or programs.

18 f. The expected ability of the bank or subsidiary banks of  
19 the bank holding company proposed to be acquired to meet  
20 various credit needs of the communities served by the banks or  
21 subsidiary banks of the bank holding company proposed to be  
22 acquired.

23 3. Proposed capital investment, loan, and dividend  
24 policies of the applicant, including a discussion of the range  
25 of consumer and business services which are proposed to be  
26 offered by the bank or subsidiary banks of the bank holding  
27 company proposed to be acquired and how the bank or subsidiary  
28 banks of the bank holding company proposed to be acquired  
29 propose to meet the credit needs of individuals, small  
30 business, and agriculture in the communities served by them.

31 4. Any plans of the applicant to merge, sell the assets  
32 of, or liquidate the bank, bank holding company, or the  
33 subsidiary banks of the bank holding company proposed to be  
34 acquired, or make any other major change in their business or  
35 corporate structure or management.

1 5. Information on how the proposed acquisition will result  
2 in net new benefits to Iowa or the communities served by the  
3 bank or subsidiary banks of the bank holding company proposed  
4 to be acquired.

5 6. Evidence of compliance by the subsidiary banks of the  
6 applicant in the states in which they are located with the  
7 Community Reinvestment Act and any applicable state community  
8 reinvestment statutes or rules.

9 Sec. 4. NEW SECTION. 524.1854 SUPERINTENDENT OF BANKING  
10 -- RESPONSIBILITIES.

11 1. The superintendent, within ten days of receipt of an  
12 application by a regional bank holding company to make an  
13 acquisition as authorized by this division, shall do one of  
14 the following:

15 a. Accept the application for processing if it is  
16 substantially complete.

17 b. Request additional information as may be necessary to  
18 complete the application.

19 c. Return the application if it is substantially  
20 incomplete.

21 2. If an application is accepted for processing, the  
22 superintendent shall immediately notify the applicant that the  
23 application is accepted for processing and publish notice of  
24 the application in the administrative bulletin.

25 3. Within thirty days of acceptance of an application for  
26 processing, the superintendent shall conduct an investigation  
27 into the condition of the applicant and the bank or bank  
28 holding company proposed to be acquired. The superintendent  
29 may request additional information from the applicant and  
30 require its production as a condition of approval of the  
31 application.

32 4. The superintendent shall approve or disapprove an  
33 application within sixty days after the filing of the complete  
34 application. If the superintendent fails to approve or

35 disapprove the application within twenty days after the filing

1 of the complete application it shall be deemed approved.

2 5. In deciding whether to approve an application for an  
3 acquisition under this division, the superintendent shall  
4 consider all of the following:

5 a. Whether the subsidiary banks of the applicant are  
6 operated in a satisfactory manner.

7 b. Whether the financial condition of the applicant  
8 regional bank holding company or any of its subsidiary banks  
9 would jeopardize the financial stability of the bank or bank  
10 holding company proposed to be acquired.

11 c. Whether the proposed acquisition would result in a bank  
12 that has inadequate capital or poor earnings prospects.

13 d. Whether the subsidiary banks of the applicant have  
14 provided adequate and appropriate banking services in their  
15 communities, including services contemplated by the Community  
16 Reinvestment Act and any similar applicable state or local  
17 community reinvestment statutes.

18 e. Whether the applicant proposes to provide adequate  
19 banking services to meet the needs for banking services of the  
20 communities served by the bank or the subsidiary banks of the  
21 bank holding company proposed to be acquired, including  
22 services contemplated by the Community Reinvestment Act.

23 f. Whether the applicant proposes adequate activities to  
24 ascertain and adequately meet the credit needs of the  
25 communities served by the bank or the subsidiary banks of the  
26 bank holding company proposed to be acquired, including the  
27 extent of efforts to communicate the availability of all  
28 credit services offered.

29 g. Whether the applicant regional bank holding company has  
30 plans or practices which would discourage applications for  
31 specific types of loans.

32 h. Whether there is a record of prohibited discriminatory  
33 or other illegal practices by the subsidiary banks of the  
34 applicant regional bank holding company.

35 6. The superintendent shall issue an order either ap-

1 proving or disapproving an application. The order shall  
2 include findings of fact based upon the application, in-  
3 vestigation, public comments, or other submittals or evidence  
4 considered. An order disapproving an application shall list  
5 the specific reasons for disapproval.

6 7. Appeals from a decision of the superintendent shall be  
7 pursuant to chapter 17A.

8 Sec. 5. NEW SECTION. 524.1855 RESTRICTIONS ON ACQUI-  
9 TIONS.

10 1. A regional bank holding company shall not acquire a  
11 bank or bank holding company under this division if, following  
12 the acquisition, the Iowa banks owned or controlled by the  
13 regional bank holding company would have, in the aggregate,  
14 more than ten percent of the total time and demand deposits of  
15 all banks in this state, as determined by the superintendent  
16 on the basis of the most recent reports of the banks in the  
17 state to their supervisory authorities which are available at  
18 the time of the acquisition.

19 2. A regional bank holding company, other than a bank  
20 holding company authorized to make an acquisition by section  
21 524.1805, shall not under this division acquire any of the  
22 following:

23 a. A bank unless the bank has been in existence and  
24 continuously operated as a bank for five or more years.

25 b. A bank holding company unless each of its subsidiary  
26 banks has been in existence and continuously operated as a  
27 bank for five or more years.

28 3. For purposes of subsection 2, a bank shall be con-  
29 sidered to have been in existence and continuously operated as  
30 a bank for five or more years if either of the following  
31 apply:

32 a. The bank is a new bank as a result of a consolidation  
33 of banks each of which had been in existence and continuously  
34 operated as a bank for five or more years before the  
35 consolidation.

1 b. The bank was organized solely for the purpose of  
2 facilitating the acquisition of another bank that had been in  
3 existence and continuously operated as a bank for five or more  
4 years before the acquisition.

5 4. For purposes of subsection 2, "subsidiary bank" does  
6 not include a bank which is not empowered to accept deposits  
7 or to make loans or to do both.

8 5. This section does not apply to acquisitions by a  
9 regional bank holding company of a troubled bank. A troubled  
10 bank is a bank which has been closed by a regulatory authority  
11 or which the superintendent reasonably believes may be closed  
12 by a regulatory authority.

13 Sec. 6. NEW SECTION. 524.1856 BASIC SERVICES TRANSACTION  
14 ACCOUNT.

15 A bank owned or controlled by a regional bank holding com-  
16 pany, other than a bank holding company authorized to make an  
17 acquisition by section 524.1805, shall offer a basic services  
18 transaction account to eligible individuals. For purposes of  
19 this section:

20 1. "Basic services transaction account" means a transac-  
21 tion account that has no initial periodic service fees, allows  
22 at least six checks per month to be drawn on the account  
23 without charge, and allows at least six free electronic funds  
24 transfer transactions per month. The service fees for addi-  
25 tional checks or electronic funds transfer transactions shall  
26 not exceed the lowest fee for similar services charged by the  
27 bank for accounts other than basic accounts.

28 2. "Eligible individual" means a person whose annual  
29 family income is less than the federal poverty income guide-  
30 lines as published annually in the federal register by the  
31 United States department of health and human services.

32 Sec. 7. NEW SECTION. 524.1857 DEVELOPMENTAL LOANS.

33 A bank owned or controlled by a regional bank holding  
34 company, other than a bank holding company authorized to make  
35 an acquisition by section 524.1805, shall provide, within its

1 community, a level of developmental loans as defined by the  
2 superintendent by rule. The superintendent shall determine  
3 the level so as to maximize the availability of developmental  
4 loans within the limits of safe and sound banking practices.  
5 "Developmental loans" includes but is not limited to the  
6 following:

7 1. Loans for low-income and moderate-income housing, loans  
8 to community development corporations, loans to small  
9 businesses, student education loans, and energy conservation  
10 loans.

11 2. Loans within a distressed area for commercial purposes,  
12 home loans, home improvement loans, and operating loans to  
13 family farmers. The superintendent shall annually designate  
14 distressed areas. A distressed area may be designated for a  
15 geographic region smaller than a county. In designating a  
16 distressed area, the superintendent shall consider the  
17 unemployment rate, economic conditions, and credit needs of  
18 the area.

19 Sec. 8. NEW SECTION. 524.1858 NONSEVERABILITY.

20 If it is ultimately determined that the reciprocity  
21 limitation in section 524.1852 is invalid, all provisions of  
22 sections 524.1851 through 524.1857 are void. However, if  
23 before sections 524.1851 through 524.1857 become void, a  
24 regional bank holding company directly or indirectly acquires  
25 an interest in or control of a bank located in Iowa under  
26 sections 524.1851 through 524.1857, the regional bank holding  
27 company may maintain the interest and may expand its holdings  
28 not to exceed the limitations contained in section 524.1802.

29 Sec. 9. NEW SECTION. 525.1 SHORT TITLE.

30 This chapter may be cited as the "Iowa Community  
31 Reinvestment Act".

32 Sec. 10. NEW SECTION. 525.2 DEFINITIONS.

33 As used in this chapter, unless the context requires  
34 otherwise:

35 i. "Basic service area" means the area determined as

1 provided in section 525.4.

2 2. "Department" means the department of commerce.

3 3. "Financial institution" means a bank acquired pursuant  
4 to sections 524.1851 through 524.1857.

5 4. "Superintendent" means the superintendent of the  
6 division of banking of the department, for banks organized or  
7 regulated under chapter 524.

8 Sec. 11. NEW SECTION. 525.3 COMMUNITY REINVESTMENT  
9 RESPONSIBILITY.

10 A financial institution shall meet the credit needs of the  
11 community or communities in which it is located, including  
12 low-income and moderate-income neighborhoods, as determined  
13 under section 525.5, and rural areas within the financial  
14 institution's basic service area, consistent with safe and  
15 sound operations of the bank.

16 Sec. 12. NEW SECTION. 525.4 ANNUAL COMMUNITY  
17 REINVESTMENT DISCLOSURE REPORT AND PUBLIC NOTICE.

18 A financial institution shall submit to the superintendent  
19 an annual report in a form determined by the superintendent,  
20 which describes the following:

21 1. The credit needs of the community served by the  
22 financial institution, and the method by which this  
23 determination was made. The superintendent may by rule  
24 stipulate a method to determine the credit needs of a  
25 community served by a financial institution.

26 2. The methods used to market to the community the credit  
27 services offered by the financial institution.

28 3. A description of how services actually provided by the  
29 financial institution satisfied the needs described under  
30 subsection 1.

31 4. The financial institution's participation in local,  
32 state, and federal business and economic development programs,  
33 small business assistance programs, programs addressing the  
34 financial needs of minorities, and programs that meet the  
35 specific credit needs of rural communities, including but not

1 limited to the rural economic development program and the  
2 rural agricultural diversification linked-deposit program.  
3 The superintendent may specify by rule which programs must be  
4 included in the report.

5 A financial institution shall delineate the local community  
6 or communities that comprise its basic service area. The  
7 basic service area so claimed is subject to the approval of  
8 the superintendent. The superintendent may order an expansion  
9 or contraction of a financial institution's basic service area  
10 if the superintendent finds the claimed area does not  
11 correspond to the territory in fact served by the financial  
12 institution. The superintendent shall adopt rules for  
13 determination of the basic service area based on a financial  
14 institution's facilities, business practices, and the  
15 location, distribution, and concentration of the financial  
16 institution's borrowers and depositors.

17 A financial institution shall provide a public notice in  
18 the lobby of each of its facilities which requests the public  
19 to submit comments to the financial institution regarding its  
20 community lending activities. Each financial institution  
21 shall maintain a file open to public inspection which contains  
22 the five most recent annual community reinvestment disclosure  
23 reports, public comments received on its community investment  
24 activities, and the financial institution's response to those  
25 comments.

26 Sec. 13. NEW SECTION. 525.5 COMMUNITY REINVESTMENT  
27 DISCLOSURE REQUIREMENTS.

28 A financial institution, with more than ten million dollars  
29 of assets, shall disclose as part of its annual community  
30 reinvestment disclosure report the following:

31 1. The number and aggregate dollar amount of housing,  
32 commercial, small business, agricultural, and consumer loans  
33 originated in the state in which the financial institution's  
34 principal place of business is located.

35 2. The number and aggregate dollar amount of housing,

1 commercial, small business, agricultural, and consumer loans  
2 originated in this state.

3 3. The number and aggregate dollar amount of housing,  
4 commercial, small business, agricultural, and consumer loans  
5 originated within low-income and moderate-income neighborhoods  
6 within the financial institution's basic service area. The  
7 superintendent may by rule or decision determine the  
8 geographic boundaries of low-income and moderate-income  
9 neighborhoods within the state, or criteria for designating  
10 low-income and moderate-income neighborhoods within a  
11 financial institution's basic service area.

12 Sec. 14. NEW SECTION. 525.6 COMMUNITY REINVESTMENT  
13 RATING SYSTEM.

14 The superintendent shall adopt rules, not later than  
15 January 1, 1991, for a community reinvestment rating system  
16 for financial institutions, to be based upon a review of the  
17 information provided in a financial institution's annual  
18 community reinvestment disclosure report, and other  
19 information which the superintendent finds to be relevant.  
20 The system must at minimum provide for an unacceptable  
21 community reinvestment rating, a minimum acceptable community  
22 reinvestment rating, and a top rating for exemplary community  
23 reinvestment, and the information shall be public information.  
24 The rating system may contain more steps than an unacceptable  
25 rating, a minimum acceptable rating, and an exemplary rating.

26 Sec. 15. NEW SECTION. 525.7 ELIGIBILITY FOR  
27 PARTICIPATION IN CERTAIN STATE PROGRAMS CONDITIONED ON  
28 COMMUNITY REINVESTMENT GUIDELINES.

29 After July 1, 1991, unconditional eligibility for financial  
30 institutions to participate in the following programs is  
31 conditioned upon achieving a minimum acceptable community  
32 reinvestment rating under section 525.6 and preference between  
33 financial institutions is given for financial institutions  
34 achieving higher ratings, with the highest preferences given  
35 to financial institutions with an exemplary rating:

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

3 2. State loan guarantee programs.

4 3. State interest rate buy-down programs.

5 4. Other financial programs offered through the use of  
6 state funds.

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

14 After July 1, 1991, eligibility for a financial institution  
15 to extend its service territory, acquire or merge with another  
16 bank, savings and loan association, or financial institution,  
17 build or acquire a new facility, transfer a home office, or  
18 take other action requiring approval of the superintendent is  
19 conditioned upon achieving at least a minimum acceptable  
20 community reinvestment rating. The superintendent may by rule  
21 condition approval or degree of approval for an action  
22 requiring the superintendent's approval on higher community  
23 reinvestment ratings. However, the superintendent may grant  
24 approval for an action of a financial institution receiving  
25 less than an acceptable community reinvestment rating if the  
26 superintendent finds that the action is an essential part of a  
27 proposal approved by the superintendent for improving the  
28 financial institution's community reinvestment rating to an  
29 acceptable level within a period of no more than two years.

30 Sec. 16. NEW SECTION. 525.8 COMMUNITY REINVESTMENT TASK  
31 FORCE ESTABLISHED.

32 A community reinvestment task force is established to  
33 recommend a community reinvestment rating system to the  
34 superintendent which will encourage financial institutions to  
35 invest in their communities and to meet the requirements of

1 this chapter. The task force shall also recommend appropriate  
 2 uses of a rating system including incentives and disincentives  
 3 for various levels of performance. The community reinvestment  
 4 task force shall be composed of seven individuals selected for  
 5 their knowledge of the financial needs of Iowa's business,  
 6 farm, and consumer communities, with none having a financial  
 7 interest in or position with a financial institution. The  
 8 majority and minority leaders in the senate and the speaker  
 9 and the minority leader in the house of representatives shall  
 10 each appoint one private nonlegislative member and the  
 11 governor shall appoint three members of the task force. The  
 12 task force shall report its recommendations to the  
 13 superintendent not later than July 1, 1990, and submit  
 14 proposed rules to implement the recommendations. The banking  
 15 division of the department of commerce shall provide staff  
 16 support to the task force.

17 Sec. 17. Sections 524.1851 through 524.1899 are  
 18 established as a new division entitled "REGIONAL BANKING" to  
 19 be added following division XVIII. The Code editor may  
 20 renumber existing division XIX as division XX and renumber the  
 21 sections in the divisions following division XVIII consistent  
 22 with the numbering of other divisions in chapter 524.

23 EXPLANATION

24 This bill provides for the acquisition of an Iowa bank or  
 25 Iowa bank holding company by an out-of-state bank holding  
 26 company from the midwestern region in certain circumstances if  
 27 certain conditions are satisfied.

28 Section 1 provides key definitions including the definition  
 29 of the "midwestern region" as the states of Illinois, Indiana,  
 30 Iowa, Kansas, Minnesota, Missouri, Michigan, Nebraska, North  
 31 Dakota, Ohio, South Dakota, and Wisconsin.

32 Section 2 permits a regional bank holding company to  
 33 directly or indirectly acquire all or a portion of one or more  
 34 Iowa banks or Iowa bank holding companies provided the state  
 35 in which the acquirer is located grants reciprocal acquisition

1 rights to Iowa-based bank holding companies.

2 Section 3 details the required contents of an application  
3 for approval by the superintendent of banking.

4 Section 4 details the authority of the superintendent of  
5 banking in accepting, reviewing, approving, or disapproving an  
6 application for acquisition by a regional bank holding  
7 company. Criteria for review include, but are not limited to,  
8 the financial condition of the applicant, the adequacy of  
9 capital of the acquired bank, compliance with the federal  
10 Community Reinvestment Act and provision of adequate and  
11 appropriate services to communities served by the applicant,  
12 and the existence of a record of prohibited discriminatory or  
13 other illegal practices by the applicant or its subsidiaries.

14 Section 5 places certain restrictions on acquisitions. A  
15 bank holding company is prohibited from making an acquisition  
16 if it would result in the acquirer or its subsidiaries  
17 controlling more than ten percent of the total time and demand  
18 deposits of all banks in the state. Acquired banks and bank  
19 holding companies must have been in existence and continuously  
20 operated as a bank or bank holding company for five or more  
21 years, except that a troubled bank in existence for less than  
22 five years may be acquired.

23 Section 6 requires a bank owned or controlled by a regional  
24 bank holding company to offer a basic services transaction  
25 account to a person whose annual income is less than federal  
26 poverty income guidelines. A basic services transaction  
27 account means a transaction account that has no initial  
28 periodic service fees, allows at least six checks per month to  
29 be drawn on the account without charge, and allows at least  
30 six free electronic funds transfer transactions per month.  
31 The service fees for additional checks or electronic funds  
32 transfer transactions shall not exceed the lowest fee for  
33 similar services charged by the bank for accounts other than  
34 basic accounts.

35 Section 7 requires a bank owned or controlled by a regional

1 bank holding company to provide a certain level of  
2 developmental loans within the bank's community.

3 Section 8 provides a special nonseverability clause.

4 Sections 9 through 16 impose community reinvestment  
5 standards as a condition of interstate acquisitions, other  
6 acts subject to regulatory approval, and the deposit of public  
7 funds. These sections create a new Code chapter tentatively  
8 numbered chapter 525.

9 Section 17 provides instructions to the Code editor for  
10 integrating sections 1 through 7 of the bill into Code chapter  
11 524.

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SENATE FILE 333

S-3556

1 Amend Senate File 333 as follows:

2 1. By striking everything after the enacting  
3 clause and inserting the following:

4 "Section 1. Section 524.1416, Code 1989, is  
5 amended by adding the following new subsection:

6 NEW SUBSECTION. 3. A state bank acquired pursuant  
7 to sections 524.1851 through 524.1859 shall not  
8 convert into a national bank if the primary purpose of  
9 the conversion is to avoid compliance with the Iowa  
10 community reinvestment Act, chapter 525, the board of  
11 directors of a state bank shall not vote for or agree  
12 to such a conversion, and any resolution or other  
13 action of the board of directors to convert the  
14 acquired state bank into a national bank contrary to  
15 this subsection is null and void.

16 Sec. 2. NEW SECTION. 524.1851 DEFINITIONS.

17 As used in this division, unless the context  
18 otherwise requires:

19 1. "Bank holding company" means a bank holding  
20 company as defined or referred to in the federal Bank  
21 Holding Company Act of 1956, 12 U.S.C. § 1841 et seq.,  
22 as amended to January 1, 1989, or a company that will  
23 become a bank holding company upon completion of an  
24 acquisition in accordance with section 524.1852.

25 2. "Community development corporation" means a  
26 community development corporation as defined in 42  
27 U.S.C. § 8122.

28 3. "Community Reinvestment Act" means the federal  
29 Community Reinvestment Act of 1977, 12 U.S.C. § 2901  
30 et seq., as amended to January 1, 1989.

31 4. "Low-income" means the income for "very low  
32 income families" as defined in section 220.1,  
33 subsection 4.

34 5. "Midwestern region" means the states of  
35 Illinois, Iowa, Minnesota, Missouri, Nebraska, South  
36 Dakota, and Wisconsin.

37 6. "Moderate-income" means the income for "lower  
38 income families" as defined in section 220.1,  
39 subsection 3.

40 7. "Out-of-state bank holding company" means an  
41 out-of-state bank holding company as defined or  
42 referred to in the federal Bank Holding Company Act of  
43 1956, 12 U.S.C. § 1842(d), as amended to January 1,  
44 1989.

45 8. "Regional bank holding company" means an out-  
46 of-state bank holding company located in the  
47 midwestern region.

48 9. "State in which the regional bank holding  
49 company is located" means the state in which the  
50 operations of the banking subsidiaries of the regional

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1 bank holding company are "principally conducted" as  
2 defined in the federal Bank Holding Company Act of  
3 1956, 12 U.S.C. § 1842(d), as amended to January 1,  
4 1989.

5 Sec. 3. NEW SECTION. 524.1852 ACQUISITIONS.

6 A regional bank holding company may directly or  
7 indirectly acquire all or a portion of the voting  
8 securities or other capital stock of, or any interest  
9 in all or substantially all of the assets of, or power  
10 to control in any manner the election of any of the  
11 directors of, one or more banks conducting a banking  
12 business in this state or one or more bank holding  
13 companies located in this state and controlling one or  
14 more banks conducting a banking business in this  
15 state, if the state in which the regional bank holding  
16 company is located would allow a bank holding company  
17 located in Iowa to acquire banks located in that  
18 state, provided that all of the requirements of this  
19 division are met.

20 Sec. 4. NEW SECTION. 524.1852A NOTICE OF INTENT  
21 TO ACQUIRE.

22 As a precondition to an acquisition or approval of  
23 an application for an acquisition under this division,  
24 a regional bank holding company considering the  
25 purchase of, or intending to purchase, an Iowa bank or  
26 Iowa bank holding company shall file a notice of  
27 intent to acquire an interstate banking interest  
28 within the state at least six months prior to the  
29 submission of an application to acquire any specific  
30 bank or bank holding company pursuant to section  
31 524.1853. The notice of intent to acquire shall be in  
32 a form determined by rule of the superintendent, but  
33 shall not require the regional bank holding company to  
34 disclose any particular bank or bank holding company  
35 intended to be acquired, even if a specific intent  
36 exists at the time of filing.

37 Sec. 5. NEW SECTION. 524.1853 APPLICATION.

38 A regional bank holding company, other than a bank  
39 holding company authorized to make an acquisition by  
40 section 524.1805, which desires to make an acquisition  
41 as authorized by this division, shall file an  
42 application with the superintendent accompanied by an  
43 application fee of five thousand dollars payable to  
44 the superintendent. The application shall contain  
45 such information as the superintendent may prescribe  
46 by rule as necessary or appropriate. The application  
47 shall be available to the public upon request, except  
48 an application to acquire a troubled bank shall not be  
49 available for public inspection nor shall the  
50 existence of such an application be acknowledged. The

1 applicant shall furnish to the superintendent all of  
2 the following:

3 1. Information establishing that the acquisition  
4 will promote the safety and soundness of the bank or  
5 bank holding company proposed to be acquired,  
6 including the subsidiary banks of the bank holding  
7 company proposed to be acquired.

8 2. Information demonstrating that the applicant  
9 intends to adequately meet the convenience and needs  
10 of the communities served by the bank or subsidiary  
11 banks of the bank holding company proposed to be  
12 acquired in accordance with the Iowa and federal  
13 Community Reinvestment Acts including, where  
14 applicable, information relating to the following:

15 a. Procedures proposed to be carried out by the  
16 banks or subsidiary banks of the bank holding company  
17 proposed to be acquired to ascertain the credit needs  
18 of the communities served by the banks or subsidiary  
19 banks of the bank holding company proposed to be  
20 acquired, including the extent of proposed efforts to  
21 communicate to such communities the credit services  
22 proposed to be provided by the banks or subsidiary  
23 banks of the bank holding company proposed to be  
24 acquired.

25 b. The extent of the proposed marketing and  
26 special credit-related programs to be conducted by the  
27 banks or subsidiary banks of the bank holding company  
28 proposed to be acquired to make the communities served  
29 by the banks or subsidiary banks of the bank holding  
30 company proposed to be acquired aware of the credit  
31 services proposed to be offered by them.

32 c. The extent of proposed participation by the  
33 board of directors of the bank or subsidiary banks of  
34 the bank holding company proposed to be acquired in  
35 formulating the policies and reviewing the performance  
36 of the bank or subsidiary banks of the bank holding  
37 company proposed to be acquired in meeting the  
38 purposes of the Iowa and federal Community  
39 Reinvestment Acts.

40 d. The expected geographic distribution of credit  
41 extensions, credit applications, and credit denials of  
42 the bank or subsidiary banks of the bank holding  
43 company proposed to be acquired.

44 e. The proposed participation, including  
45 investments by the bank or subsidiary banks of the  
46 bank holding company proposed to be acquired in local  
47 community development and redevelopment projects or  
48 programs.

49 f. The expected ability of the bank or subsidiary  
50 banks of the bank holding company proposed to be

S-3556

Page 4

1 acquired to meet various credit needs of the  
2 communities served by the banks or subsidiary banks of  
3 the bank holding company proposed to be acquired.

4 3. Proposed capital investment, loan, and dividend  
5 policies of the applicant, including a discussion of  
6 the range of consumer and business services which are  
7 proposed to be offered by the bank or subsidiary banks  
8 of the bank holding company proposed to be acquired  
9 and how the bank or subsidiary banks of the bank  
10 holding company proposed to be acquired propose to  
11 meet the credit needs of individuals, small business,  
12 and agriculture in the communities served by them.

13 4. Any plans of the applicant to merge, sell the  
14 assets of, or liquidate the bank, bank holding  
15 company, or the subsidiary banks of the bank holding  
16 company proposed to be acquired, or make any other  
17 major change in their business or corporate structure  
18 or management.

19 5. Information on how the proposed acquisition  
20 will result in net new benefits to Iowa or the  
21 communities served by the bank or subsidiary banks of  
22 the bank holding company proposed to be acquired.

23 6. Evidence of compliance by the subsidiary banks  
24 of the applicant in the states in which they are  
25 located with the federal Community Reinvestment Act  
26 and any applicable state community reinvestment  
27 statutes or rules.

28 7. Information demonstrating that the applicant  
29 intends to provide net new agricultural financing in  
30 this state. "Agricultural financing" includes credit  
31 to agricultural producers, agricultural suppliers,  
32 agricultural processors, and agricultural lenders.

33 Sec. 6. NEW SECTION. 524.1854 SUPERINTENDENT OF  
34 BANKING -- RESPONSIBILITIES.

35 1. The superintendent, within ten days of receipt  
36 of an application by a regional bank holding company  
37 to make an acquisition as authorized by this division,  
38 shall do one of the following:

39 a. Accept the application for processing if it is  
40 substantially complete.

41 b. Request additional information as may be  
42 necessary to complete the application.

43 c. Return the application if it is substantially  
44 incomplete.

45 2. If an application is accepted for processing,  
46 the superintendent shall immediately notify the  
47 applicant that the application is accepted for  
48 processing and publish notice of the application in  
49 the administrative bulletin.

50 3. Within thirty days of acceptance of an

1 application for processing, the superintendent shall  
2 conduct an investigation into the condition of the  
3 applicant and the bank or bank holding company  
4 proposed to be acquired. The superintendent may  
5 request additional information from the applicant and  
6 require its production as a condition of approval of  
7 the application.

8 4. The superintendent shall approve or disapprove  
9 an application within one hundred twenty days after  
10 the filing of the complete application. If the  
11 superintendent fails to approve or disapprove the  
12 application within one hundred twenty days after the  
13 filing of the complete application it shall be deemed  
14 approved.

15 5. In deciding whether to approve an application  
16 for an acquisition under this division, the  
17 superintendent shall determine whether the proposed  
18 acquisition will promote the general good of the  
19 state, making specific written findings on each of the  
20 following criteria. The superintendent shall not  
21 approve the application unless the superintendent  
22 finds that the proposed acquisition will be of benefit  
23 to this state upon consideration of all of the  
24 following:

25 a. Will result in the employment of net new funds  
26 within the state. The finding as to net new funds  
27 shall take into consideration, in addition to the  
28 applicant's plans for capital investment, such other  
29 factors as its policies on loans, investments, and  
30 dividends, and its general business operations,  
31 including the range of individual and business  
32 services to be offered and the charges for the  
33 services.

34 b. Will maintain a reasonable level of deposits in  
35 the acquired bank to be employed within the state.

36 c. Will result in the enhancement of the acquired  
37 bank's ability to meet the credit needs of its entire  
38 community, consistent with safe and sound operation of  
39 the bank. In making this determination the  
40 superintendent shall assess and consider the past  
41 performance of the existing bank subsidiaries of the  
42 applicant and of the expected future performance of  
43 the acquired bank in all of the following areas:

44 (1) The bank's participation, including  
45 investments, in local community development and  
46 redevelopment projects or programs.

47 (2) The bank's origination of residential mortgage  
48 loans, housing rehabilitation loans, home improvement  
49 and energy conservation loans, student loans, loans to  
50 women and minority-owned businesses and small business

S-3556

Page 6

1 or small farm loans within its community, or the  
2 purchase of such loans originated in its community.  
3 (3) The bank's participation in governmentally-  
4 insured, guaranteed, or subsidized loan programs for  
5 education, housing, small businesses or small farms,  
6 such as the Iowa housing finance authority, the small  
7 business administration and the farmers home  
8 administration.

9 (4) The bank's ability to meet various community  
10 credit needs based on its financial condition and  
11 size, legal or regulatory restrictions or  
12 requirements, local economic conditions, and other  
13 factors.

14 (5) Activities conducted by the bank to ascertain  
15 the credit needs of its community, including the  
16 extent of the bank's efforts to communicate with  
17 members of its community regarding the credit services  
18 being provided by the bank.

19 (6) The extent of the bank's marketing and special  
20 credit-related programs to make members of the  
21 community aware of the credit services offered by the  
22 bank.

23 (7) The extent of participation by the bank's  
24 board of directors in formulating the bank's policies  
25 and reviewing its performance with respect to the  
26 purposes of the Federal Community Reinvestment Act of  
27 1977.

28 (8) Any practices intended to discourage  
29 applications for types of credit offered by the bank.

30 (9) The geographic distribution of the bank's  
31 credit extensions, credit applications, and credit  
32 denials.

33 (10) Evidence of prohibited discriminatory or  
34 other illegal credit practices.

35 (11) The bank's record of opening and closing  
36 offices and providing services at offices.

37 (12) Any conviction for a felony within the  
38 preceding five years relating to the business of  
39 banking by any applicant or its subsidiaries, or any  
40 of their current directors or officers.

41 (13) The extent of foreign loan exposure and  
42 disclosure of information relating to such exposure as  
43 the superintendent may require.

44 d. Will not relieve any corporation of any  
45 obligation of its charter franchise.

46 e. Will favorably affect the economy of the state  
47 as a whole or of any area affected by the proposed  
48 transaction.

49 f. Will not result in banking monopoly or  
50 restraint of banking competition in the areas

1 affected.

2 g. Will favorably affect borrowers or depositors  
3 of small sums.

4 h. Will not involve any violation of law or breach  
5 of trust.

6 i. Will be consistent with the public good and in  
7 the interests of the acquired bank's depositors.

8 j. Will not result in the acquisition of a  
9 domestic bank by a bank or a bank holding company of  
10 inadequate safety and soundness and will not result in  
11 the impairment of the safety and soundness of the  
12 domestic bank to be acquired.

13 k. Will result in net new agricultural financing  
14 in this state.

15 l. Will on balance have a positive effect upon the  
16 community interests of the communities served by the  
17 bank or banks to be acquired. In considering  
18 community interest factors, the superintendent may  
19 investigate in addition to the effects of the  
20 acquisition on shareholders or depositors, the effects  
21 of the acquisition on employees, suppliers, creditors,  
22 and community development. The superintendent shall  
23 consider the short-term and long-term impact upon  
24 community interests of the proposed acquisition,  
25 including the possibility that community interests may  
26 be best served by the continued independence of the  
27 bank or bank holding company to be acquired. If on  
28 the basis of the community interest factors the  
29 superintendent disapproves an application, the  
30 decision of disapproval shall not be subject to any  
31 appeal, notwithstanding subsection 8.

32 6. The superintendent shall issue an order either  
33 approving or disapproving an application. The order  
34 shall include findings of fact based upon the  
35 application, investigation, public comments, or other  
36 submittals or evidence considered. An order  
37 disapproving an application shall list the specific  
38 reasons for disapproval.

39 7. Approval shall be conditioned upon the  
40 applicant entering into a contract with the  
41 superintendent providing that any bank located in this  
42 state and owned or controlled by the applicant will be  
43 operated in a manner that conforms to the findings  
44 pertaining to net new funds, maintenance of deposits  
45 and community credit needs and other findings required  
46 by subsection 5. As part of such contract, the  
47 applicant shall agree that it, as well as any domestic  
48 bank or domestic bank holding company acquired by it,  
49 shall provide reports and permit examinations of its  
50 records to the extent considered necessary by the

S-3556

Page 8

1 superintendent under this division to monitor and  
 2 enforce the provisions of this division.  
 3 8. Appeals from a decision of the superintendent  
 4 shall be pursuant to chapter 17A.

5 Sec. 7. NEW SECTION. 524.1855 RESTRICTIONS ON  
 6 ACQUISITIONS.

7 1. A regional bank holding company shall not  
 8 acquire a bank or bank holding company under this  
 9 division if, following the acquisition, the Iowa banks  
 10 owned or controlled by the regional bank holding  
 11 company would have, in the aggregate, more than ten  
 12 percent of the total time and demand deposits of all  
 13 banks in this state, as determined by the  
 14 superintendent on the basis of the most recent reports  
 15 of the banks in the state to their supervisory  
 16 authorities which are available at the time of the  
 17 acquisition.

18 2. A regional bank holding company, other than a  
 19 bank holding company authorized to make an acquisition  
 20 by section 524.1805, shall itself have been in  
 21 existence for at least three years as a condition of  
 22 any acquisition, and shall not under this division  
 23 acquire any of the following:

24 a. A bank unless the bank has been in existence  
 25 and continuously operated as a bank for five or more  
 26 years.

27 b. A bank holding company unless each of its  
 28 subsidiary banks has been in existence and  
 29 continuously operated as a bank for five or more  
 30 years.

31 c. A bank holding company that has been in  
 32 existence for less than three years.

33 3. For purposes of subsection 2, a bank shall be  
 34 considered to have been in existence and continuously  
 35 operated as a bank for five or more years if either of  
 36 the following apply:

37 a. The bank is a new bank as a result of a  
 38 consolidation of banks each of which had been in  
 39 existence and continuously operated as a bank for five  
 40 or more years before the consolidation.

41 b. The bank was organized solely for the purpose  
 42 of facilitating the acquisition of another bank that  
 43 had been in existence and continuously operated as a  
 44 bank for five or more years before the acquisition.

45 4. For purposes of subsection 2, "subsidiary bank"  
 46 does not include a bank which is not empowered to  
 47 accept deposits or to make loans or to do both.

48 5. This section does not apply to acquisitions by  
 49 a regional bank holding company of a troubled bank. A  
 50 troubled bank is a bank which has been closed by a

1 regulatory authority or which the superintendent  
2 reasonably believes may be closed by a regulatory  
3 authority.

4 6. The board of directors of a state bank or  
5 national banking association located in this state or  
6 a bank holding company located in this state may adopt  
7 an irrevocable resolution before July 1, 1989, to  
8 exempt the bank or bank holding company from the  
9 provisions of section 524.1852 for such a period of  
10 time as shall be provided in the resolution. If such  
11 a resolution is adopted, the board of directors shall  
12 file a certified copy of the resolution with the  
13 superintendent by July 1, 1989. The resolution may be  
14 renewed prior to the expiration of the period of time  
15 provided in the resolution adopted by the board of  
16 directors of the bank and filed with the  
17 superintendent, if the renewal is effective prior to  
18 the expiration of the period of time provided in the  
19 prior resolution. If such a resolution is adopted and  
20 the board of directors files a certified copy of the  
21 resolution with the superintendent as required by this  
22 subsection, the bank or bank holding company shall not  
23 be acquired directly or indirectly under section  
24 524.1852 or acquire a bank or bank holding company  
25 outside this state until the expiration of the period  
26 of time provided in the resolution or any renewal of  
27 the resolution.

28 Sec. 8. NEW SECTION. 524.1856 ENFORCEMENT.

29 In addition to any civil penalty imposed by this  
30 division, or other relief available in law or equity,  
31 upon the superintendent's determination that the  
32 conditions of the superintendent's approval of an  
33 application have been violated, the superintendent may  
34 order the bank holding company to do one or both of  
35 the following:

36 1. Cease and desist from the violation of the  
37 conditions of the superintendent's approval.

38 2. Divest itself of the bank holding company's  
39 interest in any Iowa bank or Iowa bank holding company  
40 previously acquired pursuant to this division, subject  
41 to such conditions and within such time as the  
42 superintendent may direct.

43 3. At the time of acquisition the acquiring bank  
44 holding company shall post a performance bond in an  
45 amount and form determined by the superintendent,  
46 which bond shall be forfeited upon the  
47 superintendent's determination that the conditions of  
48 the superintendent's approval of the application have  
49 been violated.

50 4. The superintendent may assess a civil penalty

S-3556

Page 10

1 to a bank holding company in violation of a condition  
2 up to five thousand dollars per violation, but not to  
3 exceed a total of two hundred fifty thousand dollars  
4 per year.

5 Sec. 9. NEW SECTION. 524.1857 BASIC SERVICES  
6 TRANSACTION ACCOUNT.

7 A bank owned or controlled by a regional bank  
8 holding company, other than a bank holding company  
9 authorized to make an acquisition by section 524.1805,  
10 shall offer a basic services transaction account to  
11 eligible individuals. For purposes of this section:

12 1. "Basic services transaction account" means a  
13 transaction account that has no initial periodic  
14 service fees, allows at least six checks per month to  
15 be drawn on the account without charge, and allows at  
16 least six free electronic funds transfer transactions  
17 per month. The service fees for additional checks or  
18 electronic funds transfer transactions shall not  
19 exceed the lowest fee for similar services charged by  
20 the bank for accounts other than basic accounts.

21 2. "Eligible individual" means a person whose  
22 annual family income is less than the federal poverty  
23 income guidelines as published annually in the federal  
24 register by the United States department of health and  
25 human services.

26 Sec. 10. NEW SECTION. 524.1858 DEVELOPMENTAL  
27 LOANS.

28 A bank owned or controlled by a regional bank  
29 holding company, other than a bank holding company  
30 authorized to make an acquisition by section 524.1805,  
31 shall provide, within its community, a level of  
32 developmental loans as defined by the superintendent  
33 by rule. The superintendent shall determine the level  
34 so as to maximize the availability of developmental  
35 loans within the limits of safe and sound banking  
36 practices. "Developmental loans" includes but is not  
37 limited to the following:

38 1. Loans for low-income and moderate-income  
39 housing, loans to community development corporations,  
40 loans to small businesses, student education loans,  
41 and energy conservation loans.

42 2. Loans within a distressed area for commercial  
43 purposes, home loans, home improvement loans, and  
44 operating loans to family farmers. The superintendent  
45 shall annually designate distressed areas. A  
46 distressed area may be designated for a geographic  
47 region smaller than a county. In designating a  
48 distressed area, the superintendent shall consider the  
49 unemployment rate, economic conditions, and credit  
50 needs of the area.

1 3. Agricultural loans in this state, including  
2 credit to agricultural producers, agricultural  
3 suppliers, agricultural processors, and agricultural  
4 lenders.

5 4. Agricultural loans to new farmers entering the  
6 profession of farming.

7 As a further condition of an acquisition pursuant  
8 to this division, the acquired bank shall maintain a  
9 loan to deposit ratio equal to or greater than the  
10 average loan to deposit ratio for that bank's peer  
11 group, as determined by the superintendent's survey  
12 pursuant to section 525.6, subsection 4. The survey  
13 shall be performed on an annual basis.

14 Sec. 11. NEW SECTION. 524.1859 NONSEVERABILITY.  
15 If it is ultimately determined that the limitations  
16 contained in section 524.1852 are invalid, all  
17 provisions of sections 524.1851 through 524.1858 are  
18 void. However, if before sections 524.1851 through  
19 524.1858 become void, a regional bank holding company  
20 directly or indirectly acquires an interest in or  
21 control of a bank located in Iowa under sections  
22 524.1851 through 524.1858, the regional bank holding  
23 company may maintain the interest acquired prior to  
24 the date of termination of reciprocity, but shall not  
25 expand its holdings within the state.

26 Sec. 12. NEW SECTION. 525.1 SHORT TITLE.  
27 This chapter may be cited as the "Iowa Community  
28 Reinvestment Act".

29 Sec. 13. NEW SECTION. 525.2 DEFINITIONS.

30 As used in this chapter, unless the context  
31 requires otherwise:

32 1. "Basic service area" means the area determined  
33 as provided in section 525.4.

34 2. "Department" means the department of commerce.

35 3. "Financial institution" means a bank acquired  
36 pursuant to sections 524.1851 through 524.1858 or an  
37 Iowa bank owned by a bank holding company with its  
38 principal place of business within the state which  
39 acquires ownership or control of a bank located in  
40 another state.

41 4. "Low-income" means the income for "very low  
42 income families" as defined in section 220.1,  
43 subsection 4.

44 5. "Moderate-income" means the income for "lower  
45 income families" as defined in section 220.1,  
46 subsection 3.

47 6. "Superintendent" means the superintendent of  
48 the division of banking of the department, for banks  
49 organized or regulated under chapter 524.

50 Sec. 14. NEW SECTION. 525.3 COMMUNITY

S-3556

Page 12

## 1 REINVESTMENT RESPONSIBILITY.

2 A financial institution shall meet the credit needs  
3 of the community or communities in which it is  
4 located, including neighborhoods, rural farm lands,  
5 and small businesses as described under section 525.5,  
6 and rural areas within the financial institution's  
7 basic service area, consistent with safe and sound  
8 operations of the bank.

9 Sec. 15. NEW SECTION. 525.4 ANNUAL COMMUNITY  
10 REINVESTMENT DISCLOSURE REPORT AND PUBLIC NOTICE.

11 A financial institution shall submit to the  
12 superintendent an annual report in a form determined  
13 by the superintendent, which describes the following:

14 1. The credit needs of the community served by the  
15 financial institution, and the method by which this  
16 determination was made. The superintendent may by  
17 rule stipulate a method to determine the credit needs  
18 of a community served by a financial institution.

19 2. The methods used to market to the community the  
20 credit services offered by the financial institution.

21 3. A description of how services actually provided  
22 by the financial institution satisfied the needs  
23 described under subsection 1.

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

34 A financial institution shall delineate the local  
35 community or communities that comprise its basic  
36 service area. The basic service area so claimed is  
37 subject to the approval of the superintendent. The  
38 superintendent may order an expansion or contraction  
39 of a financial institution's basic service area if the  
40 superintendent finds the claimed area does not  
41 correspond to the territory in fact served by the  
42 financial institution. The superintendent shall adopt  
43 rules for determination of the basic service area  
44 based on a financial institution's facilities,  
45 business practices, and the location, distribution,  
46 and concentration of the financial institution's  
47 borrowers and depositors.

48 A financial institution shall provide a public  
49 notice in the lobby of each of its facilities which  
50 requests the public to submit comments to the

1 financial institution regarding its community lending  
2 activities. A financial institution shall publish in  
3 an appropriate publication of general circulation  
4 within its basic service area, a condensed version of  
5 its annual report to the superintendent. Each  
6 financial institution shall maintain a file open to  
7 public inspection which contains the five most recent  
8 annual community reinvestment disclosure reports,  
9 public comments received on its community investment  
10 activities, and the financial institution's response  
11 to those comments.

12 Sec. 16. NEW SECTION. 525.5 COMMUNITY  
13 REINVESTMENT DISCLOSURE REQUIREMENTS.

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

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

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

27 3. The number and aggregate dollar amount of  
28 housing, commercial, small business, agricultural, and  
29 consumer loans originated within low-income and  
30 moderate-income neighborhoods within the financial  
31 institution's basic service area by census tract. The  
32 superintendent may by rule or decision determine the  
33 geographic boundaries of low-income and moderate-  
34 income neighborhoods within the state, or criteria for  
35 designating low-income and moderate-income  
36 neighborhoods within a financial institution's basic  
37 service area by census tract. The superintendent may  
38 by rule or decision determine other neighborhoods,  
39 rural farm lands, and small businesses within a  
40 financial institution's basic service area by census  
41 tract as required for purposes of section 525.3.

42 4. Time deposits collected by census tract within  
43 the state.

44 5. The number and aggregate dollar amount of first  
45 time new business and new agricultural loans.

46 Reports required by this chapter, where applicable,  
47 shall include purchase participation loans; however, a  
48 separate listing which excludes purchase participation  
49 loans, or otherwise shows the proportion and aggregate  
50 amount of purchase participation loans in all affected

S-3556

Page 14

1 reporting categories, shall be included in a manner  
2 approved by the superintendent.

3 Sec. 17. NEW SECTION. 525.6 COMMUNITY  
4 REINVESTMENT RATING SYSTEM.

5 1. The superintendent shall adopt rules, not later  
6 than January 1, 1991, for a community reinvestment  
7 rating system for financial institutions, to be based  
8 upon a review of the information provided in a  
9 financial institution's annual community reinvestment  
10 disclosure report, and other information which the  
11 superintendent finds to be relevant. The system must  
12 at minimum provide for an unacceptable community  
13 reinvestment rating, a minimum acceptable community  
14 reinvestment rating, and a top rating for exemplary  
15 community reinvestment, and the information shall be  
16 public information. The rating system may contain  
17 more steps than an unacceptable rating, a minimum  
18 acceptable rating, and an exemplary rating.

19 2. A financial institution shall have at minimum,  
20 as a precondition to receiving an acceptable rating,  
21 both of the following:

22 a. A developmental loan to asset ratio of two  
23 percent.

24 b. A loan to deposit ratio greater than the state  
25 median loan to deposit ratio.

26 3. A financial institution shall receive a  
27 community reinvestment rating on at least an annual  
28 basis and shall be rated within thirty days prior to  
29 the completion of a merger or acquisition.

30 4. The superintendent shall conduct a survey of  
31 developmental loans by banks and banks owned by  
32 interstate bank holding companies within the  
33 midwestern region, where the necessary information is  
34 available from banking regulatory authorities. The  
35 results of the survey shall be used in developing the  
36 rating system.

37 Sec. 18. NEW SECTION. 525.7 ELIGIBILITY FOR  
38 PARTICIPATION IN CERTAIN STATE PROGRAMS CONDITIONED ON  
39 COMMUNITY REINVESTMENT GUIDELINES.

40 After July 1, 1991, unconditional eligibility for  
41 financial institutions to participate in the following  
42 programs is conditioned upon achieving a minimum  
43 acceptable community reinvestment rating under section  
44 525.6 and preference between financial institutions is  
45 given for financial institutions achieving higher  
46 ratings, with the highest preferences given to  
47 financial institutions with an exemplary rating:

48 1. Deposit of public funds, including state  
49 treasury funds and the funds of political  
50 subdivisions.

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

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

13 After July 1, 1991, eligibility for a financial  
14 institution to extend its service territory, acquire  
15 or merge with another bank, savings and loan  
16 association, or financial institution, build or  
17 acquire a new facility, transfer a home office, or  
18 take other action requiring approval of the  
19 superintendent is conditioned upon achieving at least  
20 a minimum acceptable community reinvestment rating.  
21 The superintendent may by rule condition approval or  
22 degree of approval for an action requiring the  
23 superintendent's approval on higher community  
24 reinvestment ratings. However, the superintendent may  
25 grant approval for an action of a financial  
26 institution receiving less than an acceptable  
27 community reinvestment rating if the superintendent  
28 finds that the action is an essential part of a  
29 proposal approved by the superintendent for improving  
30 the financial institution's community reinvestment  
31 rating to an acceptable level within a period of no  
32 more than one year.

33 Sec. 19. NEW SECTION. 525.8 COMMUNITY  
34 REINVESTMENT TASK FORCE ESTABLISHED.

35 A community reinvestment task force is established  
36 to recommend a community reinvestment rating system to  
37 the superintendent which will encourage financial  
38 institutions to invest in their communities and to  
39 meet the requirements of this chapter. The task force  
40 shall also recommend appropriate uses of a rating  
41 system including incentives and disincentives for  
42 various levels of performance. The community  
43 reinvestment task force shall be composed of seven  
44 individuals selected for their knowledge of the  
45 financial needs of Iowa's business, farm, and consumer  
46 communities, with none having a financial interest in  
47 or position with a financial institution. The  
48 majority and minority leaders in the senate and the  
49 speaker and the minority leader in the house of  
50 representatives shall each appoint one private

S-3556

Page 16

1 nonlegislative member and the governor shall appoint  
2 three members of the task force. The task force shall  
3 report its recommendations to the superintendent not  
4 later than July 1, 1990, and submit proposed rules to  
5 implement the recommendations. The banking division  
6 of the department of commerce shall provide staff  
7 support to the task force.

8 Sec. 20. ENFORCEABILITY.

9 1. This Act shall not take effect until the  
10 superintendent of banking certifies in a notice  
11 published in the Iowa administrative bulletin that  
12 both the office of the comptroller of the currency of  
13 the United States and the board of directors of the  
14 federal reserve system have issued written opinions to  
15 the superintendent of banking stating to the  
16 satisfaction of the superintendent of banking that  
17 sections 8, 9, 10, and 12 through 18 of this Act are  
18 enforceable in their entirety against all state and  
19 national banks that are acquired directly or  
20 indirectly by an out-of-state bank holding company  
21 pursuant to the authority of sections 2, through 7 of  
22 this Act. A certification by the superintendent of  
23 banking under this subsection shall constitute final  
24 action by the superintendent and shall be subject to  
25 judicial review under chapter 17A.

26 The form of the notice required by this subsection  
27 shall be determined by the superintendent of banking,  
28 but the notice shall be void unless accompanied by  
29 reproductions of the written opinions submitted to the  
30 superintendent by the board of directors of the  
31 federal reserve system and the office of the  
32 comptroller of the currency.

33 The notice shall be deemed published for purposes  
34 of this subsection on the date the Iowa administrative  
35 bulletin is delivered by the superintendent of  
36 printing to the custody of the United States postal  
37 service for general distribution to subscribers. The  
38 superintendent of printing shall certify that date to  
39 the secretary of state in a manner prescribed by the  
40 secretary of state.

41 2. The superintendent of banking shall request the  
42 opinions referred to in subsection 1 immediately upon  
43 the enactment of this Act. If either the office of  
44 the comptroller of the currency of the United States  
45 or the board of directors of the federal reserve  
46 system states in a written opinion submitted to the  
47 superintendent of banking under subsection 1 that any  
48 provision of section 8, 9, 10, or 12 through 18 of  
49 this Act is or would be unenforceable for any reason  
50 against any state or national bank directly or

S-3556

Page 17

1 indirectly acquired under the authority of sections 2  
2 through 7 of this Act, that opinion shall be deemed a  
3 determination of unenforceability within the meaning  
4 of subsection 3, and this Act shall be void as of the  
5 date the opinion is received by the superintendent of  
6 banking.

7 3. The provisions of this Act are not severable.  
8 If any court or regulatory agency of this state or of  
9 the United States determines in any action or  
10 proceeding that a provision of section 8, 9, 10, or 12  
11 through 18 of this Act is unconstitutional or  
12 otherwise unenforceable for any reason against any  
13 state or national bank directly or indirectly acquired  
14 pursuant to the authority of sections 2 through 7 of  
15 this Act, this Act is void.

16 Sec. 21. Sections 524.1851 through 524.1899 are  
17 established as a new division entitled "REGIONAL  
18 BANKING" to be added following division XVIII. The  
19 Code editor may renumber existing division XIX as  
20 division XX and renumber the sections in the divisions  
21 following division XVIII consistent with the numbering  
22 of other divisions in chapter 524."

23 2. Title page, by striking lines 4 and 5 and in-  
24 serting the following: "state regional bank holding  
25 company, subject to certain procedures and conditions,  
26 subjecting a bank acquired by a regional bank holding  
27 company to community reinvestment standards and  
28 disclosures as a condition of the deposit of public  
29 funds or the approval of actions of the bank by the  
30 superintendent, and other properly related matters,  
31 and making penalties applicable and providing  
32 penalties."

By MICHAEL E. GRONSTAL

S-3556 FILED APRIL 5, 1989

*ADOPTED 4-6-89 (p. 1235)*

SENATE FILE 333

S-3170

1 Amend Senate File 333 as follows:

2 1. Title page, by striking line 4, and inserting  
3 the following: "state regional bank holding company,  
4 subject to certain procedures and conditions,  
5 subjecting a bank acquired by a regional bank holding  
6 company to community reinvestment standards and  
7 disclosures as a condition of the deposit of public  
8 funds or the approval of actions of the bank by the  
9 superintendent, and other properly related matters,  
10 and making penalties".

By MICHAEL GRONSTAL

S-3170 FILED MARCH 6, 1989

SENATE FILE 333

S-3360

1 Amend Senate File 333 as follows:

2 1. Page 4, line 35, by inserting after the word  
3 "within" the following: "one hundred".

By MICHAEL E. GRONSTAL

S-3360 FILED MARCH 21, 1989

SSB 197.1

Commerce

SENATE FILE 333

BY (PROPOSED COMMITTEE ON  
ON COMMERCE BILL)

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

A BILL FOR

1 An Act relating to the acquisition of an interest in a bank  
2 located in Iowa or a bank holding company located in Iowa  
3 owning or controlling one or more banks in Iowa by an out-of-  
4 state regional bank holding company, and making penalties  
5 applicable.

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

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1 Section 1. NEW SECTION. 524.1851 DEFINITIONS.

2 As used in this division, unless the context otherwise  
3 requires:

4 1. "Bank holding company" means a bank holding company as  
5 defined or referred to in the federal Bank Holding Company Act  
6 of 1956, 12 U.S.C. § 1841 et seq., as amended to January 1,  
7 1989.

8 2. "Community Reinvestment Act" means the federal  
9 Community Reinvestment Act of 1977, 12 U.S.C. § 2901 et seq.,  
10 as amended to January 1, 1989.

11 3. "Midwestern region" means the states of Illinois,  
12 Indiana, Iowa, Kansas, Minnesota, Missouri, Michigan,  
13 Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

14 4. "Out-of-state bank holding company" means an out-of-  
15 state bank holding company as defined or referred to in the  
16 federal Bank Holding Company Act of 1956, 12 U.S.C. § 1842(d),  
17 as amended to January 1, 1989.

18 5. "Regional bank holding company" means an out-of-state  
19 bank holding company located in the midwestern region.

20 6. "State in which the regional bank holding company is  
21 located" means the state in which the operations of the  
22 banking subsidiaries of the regional bank holding company are  
23 "principally conducted" as defined in the federal Bank Holding  
24 Company Act of 1956, 12 U.S.C. § 1842(d), as amended to  
25 January 1, 1989.

26 Sec. 2. NEW SECTION. 524.1852 RECIPROCITY.

27 A regional bank holding company may directly or indirectly  
28 acquire all or a portion of the voting securities or other  
29 capital stock of, or any interest in all or substantially all  
30 of the assets of, or power to control in any manner the  
31 election of any of the directors of, one or more banks  
32 conducting a banking business in this state or one or more  
33 bank holding companies located in this state and controlling  
34 one or more banks conducting a banking business in this state,  
35 if the state in which the regional bank holding company is

1 located would allow a bank holding company located in Iowa to  
2 acquire banks located in that state, provided that all of the  
3 requirements of this division are met.

4 Sec. 3. NEW SECTION. 524.1853 APPLICATION.

5 A regional bank holding company, other than a bank holding  
6 company authorized to make an acquisition by section 524.1805,  
7 which desires to make an acquisition as authorized by this  
8 division, shall file an application with the superintendent  
9 accompanied by an application fee of five thousand dollars  
10 payable to the superintendent. The application shall contain  
11 such information as the superintendent may prescribe by rule  
12 as necessary or appropriate. The applicant shall furnish to  
13 the superintendent all of the following:

14 1. Information establishing that the acquisition will  
15 promote the safety and soundness of the bank or bank holding  
16 company proposed to be acquired, including the subsidiary  
17 banks of the bank holding company proposed to be acquired.

18 2. Information demonstrating that the applicant intends to  
19 adequately meet the convenience and needs of the communities  
20 served by the bank or subsidiary banks of the bank holding  
21 company proposed to be acquired in accordance with the  
22 Community Reinvestment Act including, where applicable,  
23 information relating to the following:

24 a. Procedures proposed to be carried out by the banks or  
25 subsidiary banks of the bank holding company proposed to be  
26 acquired to ascertain the credit needs of the communities  
27 served by the banks or subsidiary banks of the bank holding  
28 company proposed to be acquired, including the extent of  
29 proposed efforts to communicate to such communities the credit  
30 services proposed to be provided by the banks or subsidiary  
31 banks of the bank holding company proposed to be acquired.

32 b. The extent of the proposed marketing and special  
33 credit-related programs to be conducted by the banks or  
34 subsidiary banks of the bank holding company proposed to be  
35 acquired to make the communities served by the banks or

1 subsidiary banks of the bank holding company proposed to be  
2 acquired aware of the credit services proposed to be offered  
3 by them.

4 c. The extent of proposed participation by the board of  
5 directors of the bank or subsidiary banks of the bank holding  
6 company proposed to be acquired in formulating the policies  
7 and reviewing the performance of the bank or subsidiary banks  
8 of the bank holding company proposed to be acquired in meeting  
9 the purposes of the Community Reinvestment Act.

10 d. The expected geographic distribution of credit  
11 extensions, credit applications, and credit denials of the  
12 bank or subsidiary banks of the bank holding company proposed  
13 to be acquired.

14 e. The proposed participation, including investments by  
15 the bank or subsidiary banks of the bank holding company  
16 proposed to be acquired in local community development and  
17 redevelopment projects or programs.

18 f. The expected ability of the bank or subsidiary banks of  
19 the bank holding company proposed to be acquired to meet  
20 various credit needs of the communities served by the banks or  
21 subsidiary banks of the bank holding company proposed to be  
22 acquired.

23 3. Proposed capital investment, loan, and dividend  
24 policies of the applicant, including a discussion of the range  
25 of consumer and business services which are proposed to be  
26 offered by the bank or subsidiary banks of the bank holding  
27 company proposed to be acquired and how the bank or subsidiary  
28 banks of the bank holding company proposed to be acquired  
29 propose to meet the credit needs of individuals, small  
30 business, and agriculture in the communities served by them.

31 4. Any plans of the applicant to merge, sell the assets  
32 of, or liquidate the bank, bank holding company, or the  
33 subsidiary banks of the bank holding company proposed to be  
34 acquired, or make any other major change in their business or  
35 corporate structure or management.

1 5. Information on how the proposed acquisition will result  
2 in net new benefits to Iowa or the communities served by the  
3 bank or subsidiary banks of the bank holding company proposed  
4 to be acquired.

5 6. Evidence of compliance by the subsidiary banks of the  
6 applicant in the states in which they are located with the  
7 Community Reinvestment Act and any applicable state community  
8 reinvestment statutes or rules.

9 Sec. 4. NEW SECTION. 524.1854 SUPERINTENDENT OF BANKING  
10 -- RESPONSIBILITIES.

11 1. The superintendent, within ten days of receipt of an  
12 application by a regional bank holding company to make an  
13 acquisition as authorized by this division, shall do one of  
14 the following:

15 a. Accept the application for processing if it is  
16 substantially complete.

17 b. Request additional information as may be necessary to  
18 complete the application.

19 c. Return the application if it is substantially  
20 incomplete.

21 2. If an application is accepted for processing, the  
22 superintendent shall immediately notify the applicant that the  
23 application is accepted for processing and publish notice of  
24 the application in the administrative bulletin.

25 3. Within thirty days of acceptance of an application for  
26 processing, the superintendent shall conduct an investigation  
27 into the condition of the applicant and the bank or bank  
28 holding company proposed to be acquired. The superintendent  
29 may request additional information from the applicant and  
30 require its production as a condition of approval of the  
31 application.

32 4. The superintendent shall approve or disapprove an  
33 application within sixty days after the filing of the complete  
34 application. If the superintendent fails to approve or  
35 disapprove the application within twenty days after the filing

1 of the complete application it shall be deemed approved.

2 5. In deciding whether to approve an application for an  
3 acquisition under this division, the superintendent shall  
4 consider all of the following:

5 a. Whether the subsidiary banks of the applicant are  
6 operated in a satisfactory manner.

7 b. Whether the financial condition of the applicant  
8 regional bank holding company or any of its subsidiary banks  
9 would jeopardize the financial stability of the bank or bank  
10 holding company proposed to be acquired.

11 c. Whether the proposed acquisition would result in a bank  
12 that has inadequate capital or poor earnings prospects.

13 d. Whether the subsidiary banks of the applicant have  
14 provided adequate and appropriate banking services in their  
15 communities, including services contemplated by the Community  
16 Reinvestment Act and any similar applicable state or local  
17 community reinvestment statutes.

18 e. Whether the applicant proposes to provide adequate  
19 banking services to meet the needs for banking services of the  
20 communities served by the bank or the subsidiary banks of the  
21 bank holding company proposed to be acquired, including  
22 services contemplated by the Community Reinvestment Act.

23 f. Whether the applicant proposes adequate activities to  
24 ascertain and adequately meet the credit needs of the  
25 communities served by the bank or the subsidiary banks of the  
26 bank holding company proposed to be acquired, including the  
27 extent of efforts to communicate the availability of all  
28 credit services offered.

29 g. Whether the applicant regional bank holding company has  
30 plans or practices which would discourage applications for  
31 specific types of loans.

32 h. Whether there is a record of prohibited discriminatory  
33 or other illegal practices by the subsidiary banks of the  
34 applicant regional bank holding company.

35 6. The superintendent shall issue an order either ap-

1 proving or disapproving an application. The order shall  
2 include findings of fact based upon the application, in-  
3 vestigation, public comments, or other submittals or evidence  
4 considered. An order disapproving an application shall list  
5 the specific reasons for disapproval.

6 7. Appeals from a decision of the superintendent shall be  
7 pursuant to chapter 17A.

8 Sec. 5. NEW SECTION. 524.1855 RESTRICTIONS ON ACQUI-  
9 TIONS.

10 1. A regional bank holding company shall not acquire a  
11 bank or bank holding company under this division if, following  
12 the acquisition, the Iowa banks owned or controlled by the  
13 regional bank holding company would have, in the aggregate,  
14 more than ten percent of the total time and demand deposits of  
15 all banks in this state, as determined by the superintendent  
16 on the basis of the most recent reports of the banks in the  
17 state to their supervisory authorities which are available at  
18 the time of the acquisition.

19 2. A regional bank holding company, other than a bank  
20 holding company authorized to make an acquisition by section  
21 524.1805, shall not under this division acquire any of the  
22 following:

23 a. A bank unless the bank has been in existence and  
24 continuously operated as a bank for five or more years.

25 b. A bank holding company unless each of its subsidiary  
26 banks has been in existence and continuously operated as a  
27 bank for five or more years.

28 3. For purposes of subsection 2, a bank shall be con-  
29 sidered to have been in existence and continuously operated as  
30 a bank for five or more years if either of the following  
31 apply:

32 a. The bank is a new bank as a result of a consolidation  
33 of banks each of which had been in existence and continuously  
34 operated as a bank for five or more years before the  
35 consolidation.

1 b. The bank was organized solely for the purpose of  
2 facilitating the acquisition of another bank that had been in  
3 existence and continuously operated as a bank for five or more  
4 years before the acquisition.

5 4. For purposes of subsection 2, "subsidiary bank" does  
6 not include a bank which is not empowered to accept deposits  
7 or to make loans or to do both.

8 5. This section does not apply to acquisitions by a  
9 regional bank holding company of a troubled bank. A troubled  
10 bank is a bank which has been closed by a regulatory authority  
11 or which the superintendent reasonably believes may be closed  
12 by a regulatory authority.

13 Sec. 6. NEW SECTION. 524.1856 BASIC SERVICES TRANSACTION  
14 ACCOUNT.

15 A bank owned or controlled by a regional bank holding com-  
16 pany, other than a bank holding company authorized to make an  
17 acquisition by section 524.1805, shall offer a basic services  
18 transaction account to eligible individuals. For purposes of  
19 this section:

20 1. "Basic services transaction account" means a transac-  
21 tion account that has no initial periodic service fees, allows  
22 at least six checks per month to be drawn on the account  
23 without charge, and allows at least six free electronic funds  
24 transfer transactions per month. The service fees for addi-  
25 tional checks or electronic funds transfer transactions shall  
26 not exceed the lowest fee for similar services charged by the  
27 bank for accounts other than basic accounts.

28 2. "Eligible individual" means a person whose annual  
29 family income is less than the federal poverty income guide-  
30 lines as published annually in the federal register by the  
31 United States department of health and human services.

32 Sec. 7. NEW SECTION. 524.1857 DEVELOPMENTAL LOANS.

33 A bank owned or controlled by a regional bank holding  
34 company, other than a bank holding company authorized to make  
35 an acquisition by section 524.1805, shall provide, within its

1 community, a level of developmental loans as defined by the  
2 superintendent by rule. The superintendent shall determine  
3 the level so as to maximize the availability of developmental  
4 loans within the limits of safe and sound banking practices.  
5 "Developmental loans" includes but is not limited to the  
6 following:

7 1. Loans for low-income and moderate-income housing, loans  
8 to community development corporations, loans to small  
9 businesses, student education loans, and energy conservation  
10 loans.

11 2. Loans within a distressed area for commercial purposes,  
12 home loans, home improvement loans, and operating loans to  
13 family farmers. The superintendent shall annually designate  
14 distressed areas. A distressed area may be designated for a  
15 geographic region smaller than a county. In designating a  
16 distressed area, the superintendent shall consider the  
17 unemployment rate, economic conditions, and credit needs of  
18 the area.

19 Sec. 8. NEW SECTION. 524.1858 NONSEVERABILITY.

20 If it is ultimately determined that the reciprocity  
21 limitation in section 524.1852 is invalid, all provisions of  
22 sections 524.1851 through 524.1857 are void. However, if  
23 before sections 524.1851 through 524.1857 become void, a  
24 regional bank holding company directly or indirectly acquires  
25 an interest in or control of a bank located in Iowa under  
26 sections 524.1851 through 524.1857, the regional bank holding  
27 company may maintain the interest and may expand its holdings  
28 not to exceed the limitations contained in section 524.1802.

29 Sec. 9. NEW SECTION. 525.1 SHORT TITLE.

30 This chapter may be cited as the "Iowa Community  
31 Reinvestment Act".

32 Sec. 10. NEW SECTION. 525.2 DEFINITIONS.

33 As used in this chapter, unless the context requires  
34 otherwise:

35 1. "Basic service area" means the area determined as

1 provided in section 525.4.

2 2. "Department" means the department of commerce.

3 3. "Financial institution" means a bank acquired pursuant  
4 to sections 524.1851 through 524.1857.

5 4. "Superintendent" means the superintendent of the  
6 division of banking of the department, for banks organized or  
7 regulated under chapter 524.

8 Sec. 11. NEW SECTION. 525.3 COMMUNITY REINVESTMENT  
9 RESPONSIBILITY.

10 A financial institution shall meet the credit needs of the  
11 community or communities in which it is located, including  
12 low-income and moderate-income neighborhoods, as determined  
13 under section 525.5, and rural areas within the financial  
14 institution's basic service area, consistent with safe and  
15 sound operations of the bank.

16 Sec. 12. NEW SECTION. 525.4 ANNUAL COMMUNITY  
17 REINVESTMENT DISCLOSURE REPORT AND PUBLIC NOTICE.

18 A financial institution shall submit to the superintendent  
19 an annual report in a form determined by the superintendent,  
20 which describes the following:

21 1. The credit needs of the community served by the  
22 financial institution, and the method by which this  
23 determination was made. The superintendent may by rule  
24 stipulate a method to determine the credit needs of a  
25 community served by a financial institution.

26 2. The methods used to market to the community the credit  
27 services offered by the financial institution.

28 3. A description of how services actually provided by the  
29 financial institution satisfied the needs described under  
30 subsection 1.

31 4. The financial institution's participation in local,  
32 state, and federal business and economic development programs,  
33 small business assistance programs, programs addressing the  
34 financial needs of minorities, and programs that meet the  
35 specific credit needs of rural communities, including but not

1 limited to the rural economic development program and the  
2 rural agricultural diversification linked-deposit program.  
3 The superintendent may specify by rule which programs must be  
4 included in the report.

5 A financial institution shall delineate the local community  
6 or communities that comprise its basic service area. The  
7 basic service area so claimed is subject to the approval of  
8 the superintendent. The superintendent may order an expansion  
9 or contraction of a financial institution's basic service area  
10 if the superintendent finds the claimed area does not  
11 correspond to the territory in fact served by the financial  
12 institution. The superintendent shall adopt rules for  
13 determination of the basic service area based on a financial  
14 institution's facilities, business practices, and the  
15 location, distribution, and concentration of the financial  
16 institution's borrowers and depositors.

17 A financial institution shall provide a public notice in  
18 the lobby of each of its facilities which requests the public  
19 to submit comments to the financial institution regarding its  
20 community lending activities. Each financial institution  
21 shall maintain a file open to public inspection which contains  
22 the five most recent annual community reinvestment disclosure  
23 reports, public comments received on its community investment  
24 activities, and the financial institution's response to those  
25 comments.

26 Sec. 13. NEW SECTION. 525.5 COMMUNITY REINVESTMENT  
27 DISCLOSURE REQUIREMENTS.

28 A financial institution, with more than ten million dollars  
29 of assets, shall disclose as part of its annual community  
30 reinvestment disclosure report the following:

31 1. The number and aggregate dollar amount of housing,  
32 commercial, small business, agricultural, and consumer loans  
33 originated in the state in which the financial institution's  
34 principal place of business is located.

35 2. The number and aggregate dollar amount of housing,

1 commercial, small business, agricultural, and consumer loans  
2 originated in this state.

3 3. The number and aggregate dollar amount of housing,  
4 commercial, small business, agricultural, and consumer loans  
5 originated within low-income and moderate-income neighborhoods  
6 within the financial institution's basic service area. The  
7 superintendent may by rule or decision determine the  
8 geographic boundaries of low-income and moderate-income  
9 neighborhoods within the state, or criteria for designating  
10 low-income and moderate-income neighborhoods within a  
11 financial institution's basic service area.

12 Sec. 14. NEW SECTION. 525.6 COMMUNITY REINVESTMENT  
13 RATING SYSTEM.

14 The superintendent shall adopt rules, not later than  
15 January 1, 1991, for a community reinvestment rating system  
16 for financial institutions, to be based upon a review of the  
17 information provided in a financial institution's annual  
18 community reinvestment disclosure report, and other  
19 information which the superintendent finds to be relevant.  
20 The system must at minimum provide for an unacceptable  
21 community reinvestment rating, a minimum acceptable community  
22 reinvestment rating, and a top rating for exemplary community  
23 reinvestment, and the information shall be public information.  
24 The rating system may contain more steps than an unacceptable  
25 rating, a minimum acceptable rating, and an exemplary rating.

26 Sec. 15. NEW SECTION. 525.7 ELIGIBILITY FOR  
27 PARTICIPATION IN CERTAIN STATE PROGRAMS CONDITIONED ON  
28 COMMUNITY REINVESTMENT GUIDELINES.

29 After July 1, 1991, unconditional eligibility for financial  
30 institutions to participate in the following programs is  
31 conditioned upon achieving a minimum acceptable community  
32 reinvestment rating under section 525.6 and preference between  
33 financial institutions is given for financial institutions  
34 achieving higher ratings, with the highest preferences given  
35 to financial institutions with an exemplary rating:

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

3 2. State loan guarantee programs.

4 3. State interest rate buy-down programs.

5 4. Other financial programs offered through the use of  
6 state funds.

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

14 After July 1, 1991, eligibility for a financial institution  
15 to extend its service territory, acquire or merge with another  
16 bank, savings and loan association, or financial institution,  
17 build or acquire a new facility, transfer a home office, or  
18 take other action requiring approval of the superintendent is  
19 conditioned upon achieving at least a minimum acceptable  
20 community reinvestment rating. The superintendent may by rule  
21 condition approval or degree of approval for an action  
22 requiring the superintendent's approval on higher community  
23 reinvestment ratings. However, the superintendent may grant  
24 approval for an action of a financial institution receiving  
25 less than an acceptable community reinvestment rating if the  
26 superintendent finds that the action is an essential part of a  
27 proposal approved by the superintendent for improving the  
28 financial institution's community reinvestment rating to an  
29 acceptable level within a period of no more than two years.

30 Sec. 16. NEW SECTION. 525.8 COMMUNITY REINVESTMENT TASK  
31 FORCE ESTABLISHED.

32 A community reinvestment task force is established to  
33 recommend a community reinvestment rating system to the  
34 superintendent which will encourage financial institutions to  
35 invest in their communities and to meet the requirements of

1 this chapter. The task force shall also recommend appropriate  
2 uses of a rating system including incentives and disincentives  
3 for various levels of performance. The community reinvestment  
4 task force shall be composed of seven individuals selected for  
5 their knowledge of the financial needs of Iowa's business,  
6 farm, and consumer communities, with none having a financial  
7 interest in or position with a financial institution. The  
8 majority and minority leaders in the senate and the speaker  
9 and the minority leader in the house of representatives shall  
10 each appoint one private nonlegislative member and the  
11 governor shall appoint three members of the task force. The  
12 task force shall report its recommendations to the  
13 superintendent not later than July 1, 1990, and submit  
14 proposed rules to implement the recommendations. The banking  
15 division of the department of commerce shall provide staff  
16 support to the task force.

17 Sec. 17. Sections 524.1851 through 524.1899 are  
18 established as a new division entitled "REGIONAL BANKING" to  
19 be added following division XVIII. The Code editor may  
20 renumber existing division XIX as division XX and renumber the  
21 sections in the divisions following division XVIII consistent  
22 with the numbering of other divisions in chapter 524.

23 EXPLANATION

24 This bill provides for the acquisition of an Iowa bank or  
25 Iowa bank holding company by an out-of-state bank holding  
26 company from the midwestern region in certain circumstances if  
27 certain conditions are satisfied.

28 Section 1 provides key definitions including the definition  
29 of the "midwestern region" as the states of Illinois, Indiana,  
30 Iowa, Kansas, Minnesota, Missouri, Michigan, Nebraska, North  
31 Dakota, Ohio, South Dakota, and Wisconsin.

32 Section 2 permits a regional bank holding company to  
33 directly or indirectly acquire all or a portion of one or more  
34 Iowa banks or Iowa bank holding companies provided the state  
35 in which the acquirer is located grants reciprocal acquisition

1 rights to Iowa-based bank holding companies.

2 Section 3 details the required contents of an application  
3 for approval by the superintendent of banking.

4 Section 4 details the authority of the superintendent of  
5 banking in accepting, reviewing, approving, or disapproving an  
6 application for acquisition by a regional bank holding  
7 company. Criteria for review include, but are not limited to,  
8 the financial condition of the applicant, the adequacy of  
9 capital of the acquired bank, compliance with the federal  
10 Community Reinvestment Act and provision of adequate and  
11 appropriate services to communities served by the applicant,  
12 and the existence of a record of prohibited discriminatory or  
13 other illegal practices by the applicant or its subsidiaries.

14 Section 5 places certain restrictions on acquisitions. A  
15 bank holding company is prohibited from making an acquisition  
16 if it would result in the acquirer or its subsidiaries  
17 controlling more than ten percent of the total time and demand  
18 deposits of all banks in the state. Acquired banks and bank  
19 holding companies must have been in existence and continuously  
20 operated as a bank or bank holding company for five or more  
21 years, except that a troubled bank in existence for less than  
22 five years may be acquired.

23 Section 6 requires a bank owned or controlled by a regional  
24 bank holding company to offer a basic services transaction  
25 account to a person whose annual income is less than federal  
26 poverty income guidelines. A basic services transaction  
27 account means a transaction account that has no initial  
28 periodic service fees, allows at least six checks per month to  
29 be drawn on the account without charge, and allows at least  
30 six free electronic funds transfer transactions per month.  
31 The service fees for additional checks or electronic funds  
32 transfer transactions shall not exceed the lowest fee for  
33 similar services charged by the bank for accounts other than  
34 basic accounts.

35 Section 7 requires a bank owned or controlled by a regional

1 bank holding company to provide a certain level of  
2 developmental loans within the bank's community.

3 Section 8 provides a special nonseverability clause.

4 Sections 9 through 16 impose community reinvestment  
5 standards as a condition of interstate acquisitions, other  
6 acts subject to regulatory approval, and the deposit of public  
7 funds. These sections create a new Code chapter tentatively  
8 numbered chapter 525.

9 Section 17 provides instructions to the Code editor for  
10 integrating sections 1 through 7 of the bill into Code chapter  
11 524.

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