

Commerce

April 11, 1989

SENATE FILE 513  
BY HUTCHINS and HULTMAN

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

A BILL FOR

1 An Act relating to industrial loan companies, repealing the Iowa  
2 industrial loan corporation thrift guaranty law, and amending  
3 restrictions on selling senior debt by industrial loan  
4 companies.

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

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SF 513

1 Section 1. Section 536A.16, Code 1989, is amended to read  
2 as follows:

3 536A.16 CEASE AND DESIST ORDERS.

4 Whenever if the superintendent has reasonable cause to  
5 believe that any a licensee is violating any a provision of  
6 this chapter, ~~chapter-536B,~~ or rules adopted under either this  
7 chapter, the superintendent may, after ten days' advance  
8 written notice, in addition to all actions provided for in  
9 this chapter, and without prejudice ~~thereto~~ to them, enter an  
10 order requiring the licensee to cease, desist, and refrain  
11 from the violation. After receipt of the advance written  
12 notice ~~as-provided-above,~~ any a licensee, within five days  
13 from the receipt of such the notice, may file with the  
14 superintendent a written demand for a hearing. Hearings shall  
15 promptly be held in the office of the superintendent and a  
16 cease and desist order shall not be issued until after the  
17 hearing. The licensee ~~shall-be~~ is entitled to present  
18 evidence and the testimony of witnesses at the hearing.

19 Sec. 2. Section 536A.17, Code 1989, is amended to read as  
20 follows:

21 536A.17 INJUNCTIONS.

22 The superintendent by counsel of the attorney general may  
23 commence an action in the district court, in the name of the  
24 state of Iowa as plaintiff on the relation of the  
25 superintendent to restrain and enjoin any a licensee from  
26 violating this chapter, ~~chapter-536B,~~ or rules adopted under  
27 either this chapter, or to restrain and enjoin any person,  
28 copartnership, ~~firm-or-corporation~~ from engaging in the  
29 business of operating an industrial loan company without  
30 obtaining a license as required by this chapter.

31 Sec. 3. Section 536A.22, Code 1989, is amended to read as  
32 follows:

33 536A.22 THRIFT CERTIFICATES.

34 Licensed industrial loan companies may sell senior debt to  
35 the general public in the form of thrift certificates,

1 installment thrift certificates, certificates of indebtedness,  
2 promissory notes, or similar evidences of indebtedness. The  
3 total amount of such thrift certificates, installment thrift  
4 certificates, certificates of indebtedness, promissory notes,  
5 or similar evidences of indebtedness outstanding and in the  
6 hands of the general public shall not at any time exceed ten  
7 times the total amount of capital, surplus, undivided profits,  
8 and subordinated debt that gives priority to such securities  
9 of the issuing industrial loan company. ~~Except as provided in~~  
10 ~~chapter 536B, the~~ The sale of such securities shall be is  
11 ~~subject to the provisions of~~ chapter 502, and ~~shall~~ is not be  
12 ~~construed to be exempt therefrom~~ from that chapter by reason  
13 ~~of the provisions of~~ section 502.202, subsection 10, except  
14 that the sale of thrift certificates or installment thrift  
15 certificates which are redeemable by the holder thereof either  
16 upon demand or within a period not in excess of one hundred  
17 eighty days ~~shall be~~ is exempt from sections 502.201 and  
18 502.602.

19 Sec. 4. Section 536A.25, Code 1989, is amended to read as  
20 follows:

21 536A.25 RESTRICTIONS.

22 1. No An industrial loan company licensed under this  
23 chapter shall not make any a loan of money or property to, or  
24 guarantee the obligations of, any of its directors or  
25 officers; or loan to any a borrower, other than a subsidiary  
26 or affiliated corporation, more than twenty percent of its  
27 total capital, surplus, and undivided profits. No A licensee  
28 shall not make any a loan under any other name or at any other  
29 place of business than that named in the license.

30 2. An industrial loan company licensed under this chapter  
31 that sells senior debt to the general public in the form of  
32 thrift certificates, installment thrift certificates,  
33 certificates of indebtedness, promissory notes, or similar  
34 evidences of indebtedness shall not loan to a borrower,  
35 including a subsidiary or an affiliated corporation, more than

1 twenty percent of its total capital, surplus, and undivided  
2 profits. The aggregate of the loans to subsidiaries or  
3 affiliated corporations of the industrial loan company shall  
4 not exceed ten percent of the industrial loan company's total  
5 assets.

6 Sec. 5. Chapter 536B, Code 1989, is repealed.

7 Sec. 6. Section 546.3, Code 1989, is amended to read as  
8 follows:

9 546.3 BANKING DIVISION.

10 The banking division shall regulate and supervise banks  
11 under chapter 524, regulated loan companies under chapter 536,  
12 and industrial loan companies under chapter 536A, and the  
13 ~~industrial-loan-thrift-guaranty-corporation-of-Iowa-under~~  
14 ~~chapter-536B~~, and shall perform other duties assigned to the  
15 division by law. The division is headed by the superintendent  
16 of banking who shall be appointed pursuant to section 524.201.  
17 The state banking board shall perform duties within the  
18 division as prescribed by law.

19 EXPLANATION

20 This bill repeals the Iowa industrial loan corporation  
21 thrift guaranty law, chapter 536B of the Code, and also  
22 further restricts loans and other transactions between an  
23 industrial loan company with its subsidiaries and affiliates.  
24 The bill makes conforming amendments to other chapters.

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