

Sec. 5. Sections 542B.3, 542B.10, 542B.11, 542B.18, 542B.20, and 542B.35, Code 1995, are amended by striking from the sections the word "registered" and inserting in lieu thereof the word "licensed".

Sec. 6. Sections 542B.6, 542B.10, 542B.11, 542B.15, 542B.18, 542B.19, 542B.20, 542B.25, and 542B.30, Code 1995, are amended by striking from the sections the word "registration" and inserting in lieu thereof the word "licensure".

Sec. 7. Sections 542B.13, 542B.14, 542B.17, 542B.21, and 542B.26, Code Supplement 1995, are amended by striking from the sections the word "registration" and inserting in lieu thereof the word "licensure".

Sec. 8. Section 542B.18, Code 1995, is amended by striking from the section the word "registrant" and inserting in lieu thereof the word "licensee".

Sec. 9. Section 542B.20, Code 1995, is amended by striking from the section the word "registrants" and inserting in lieu thereof the word "licensees".

Sec. 10. Section 542B.21, Code Supplement 1995, is amended by striking from the section the word "registrant's" and inserting in lieu thereof the word "licensee's".

Sec. 11. Section 542B.21, Code Supplement 1995, is amended by striking from the section the word "registrant" and inserting in lieu thereof the word "licensee".

Approved April 4, 1996

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## CHAPTER 1056

### BANK REGULATION AND RELATED MATTERS

H.F. 2409

**AN ACT** relating to the regulation of activities of state banks and state bank affiliates, interstate branching or banking, and personnel of the banking division, state banks, and state bank affiliates, and the regulation of financial transactions involving such entities and personnel.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 524.103, subsection 8, Code Supplement 1995, is amended to read as follows:

8. "Bank" means a corporation organized under this chapter or ~~Title 12 of the United States Code~~ 12 U.S.C. § 21.

Sec. 2. Section 524.107, subsection 3, Code Supplement 1995, is amended to read as follows:

3. Notwithstanding subsections 1 and 2, an organization formed for educational purposes in association with an accredited elementary or secondary school which engages in the receipt of deposits ~~of no more than twenty dollars per depositor~~, may use the words "educational bank", the use of which is otherwise restricted in subsection 2, and such an educational bank is not a bank within the meaning or scope of regulation of this chapter.

Sec. 3. Section 524.211, subsections 2, 3, and 4, Code Supplement 1995, are amended to read as follows:

2. The superintendent, deputy superintendent, finance company bureau chief, general counsel, and all examiners assigned to the finance company bureau are prohibited from obtaining a loan of money or property from a finanee company licensed by the banking division person or entity licensed pursuant to chapter 533A, 533D, 536, or 536A, or a person or entity affiliated with such licensee.

3. The superintendent, deputy superintendent, an assistant to the superintendent, a bank examination analyst, finance company bureau chief, general counsel, or an examiner of the banking division, who has credit relations with a mortgage banking company or credit card company licensed by the banking division person or entity licensed or registered pursuant to chapter 535B or 536C, is prohibited from participating in decisions, oversight, and official review of matters concerning the regulation of the mortgage banking company or credit card company with which such person has credit relations licensee or registrant.

4. An assistant to the superintendent, a bank examination analyst, general counsel, or an examiner assigned to the bank bureau of the banking division who has credit relations with a finanee company licensed by the banking division person or entity licensed pursuant to chapter 533A, 533D, 536, or 536A, or with a person or entity affiliated with such licensee, is prohibited from participating in decisions, oversight, and official review of matters concerning the regulation of the finanee company with which such person has credit relations licensee.

Sec. 4. Section 524.215, subsection 5, Code Supplement 1995, is amended to read as follows:

5. In any an action brought to recover moneys the for a loss of in connection with an indemnity bond which was a result of embezzlement, misappropriation, or misuse of state bank funds by a director, officer, or employee of the state bank.

Sec. 5. Section 524.220, subsections 1 and 2, Code Supplement 1995, are amended to read as follows:

1. A state bank shall render a full, clear, and accurate statement of its condition to the superintendent, on forms to be supplied in a format prescribed by the superintendent, verified by the oath of an officer and attested by the signatures of at least three of the directors, or verified by the oath of two of its officers and attested by two of the directors. The superintendent may, in the superintendent's discretion, use any form of statement of condition that is used by the federal deposit insurance corporation or the federal reserve system.

2. The statement shall be transmitted to the superintendent or the superintendent's designee within thirty days after the end of each calendar quarter.

Sec. 6. Section 524.302, subsection 3, Code Supplement 1995, is amended to read as follows:

3. The articles of incorporation need not set forth any of the corporate powers enumerated in this chapter. The articles of incorporation shall be signed by all of the incorporators and acknowledged before an officer authorized to take acknowledgments of deeds.

Sec. 7. Section 524.401, subsections 1 and 2, Code Supplement 1995, are amended to read as follows:

1. The minimum capital structure of a state bank existing and operating on July 1, 1995, shall not be as follows: less than the amount required by law prior to that date.

a. ~~The amount required by subsection 2.~~

b. ~~An amount less than that provided for under paragraph "a" which the state bank had on July 1, 1995, but not less than the minimum amount required by law prior to that date.~~

2. The minimum capital structure of a state bank originally incorporated after July 1, 1995, pursuant to the provisions of this chapter shall not be less than the amount required by the federal deposit insurance corporation, or its successor, or a greater amount which

the superintendent may deem necessary in view of the deposit potential of the state bank and current banking standards relating to total capital requirements.

2A. A state bank incorporated on or after July 1, 1995, pursuant to this chapter, prior to receiving authorization to do business from the superintendent, shall establish paid-in surplus and undivided profits as required by the superintendent.

Sec. 8. Section 524.608, unnumbered paragraph 1, Code Supplement 1995, is amended to read as follows:

In addition to any examination made by the banking division or other supervisory agency, the board of directors shall review the adequacy of the bank's internal controls and cause to be made no less frequently than ~~annually once~~ each calendar year additional auditing procedures that the board deems to be appropriate. The board shall determine the bank's audit needs and record in the board's minutes the extent to which audit procedures are to be employed. A report which summarizes significant audit findings shall be delivered to the superintendent as soon as practical upon completion.

Sec. 9. Section 524.706, subsection 1, Code Supplement 1995, is amended to read as follows:

1. a. An executive officer of a state bank may receive loans ~~or~~ and extensions of credit, as defined in section 524.904, subsection 1, from a state bank of which the person is an executive officer ~~not exceeding, in the aggregate, the following, as follows:~~

(1) ~~An amount~~ For amounts secured by a lien on a dwelling which is expected, after the obligation is incurred, to be owned by the executive officer and used as the officer's principal residence.

(2) ~~An amount~~ For amounts to finance the education of a child or children of the executive officer.

(3) ~~Any other loans or extensions of credit~~ For amounts which in the aggregate do not at any one time exceed the higher of twenty-five thousand dollars or two and one-half percent of the bank's aggregate capital, but in no event more than one hundred thousand dollars.

(4) ~~Other~~ For amounts which do not, in the aggregate, exceed the principal amounts of segregated deposit accounts which the bank may lawfully set off. An interest in or portion of a segregated deposit account does not satisfy the requirements of this subparagraph if that interest or portion is also pledged to secure the payment of a debt or obligation of any person other than the executive officer. If the deposit is eligible for withdrawal before the secured loan matures, the bank shall establish internal procedures to prevent the release of the security without the bank's prior consent.

(5) For amounts secured by bonds, notes, certificates of indebtedness, or treasury bills of the United States or by other such obligations fully guaranteed by the United States as to principal and interest.

(6) For amounts secured by unconditional takeout commitments or guarantees of any department, agency, bureau, board, commission, or establishment of the United States or any corporation wholly owned directly or indirectly by the United States.

b. A state bank shall not loan money or extend credit to an executive officer of the state bank, and an executive officer of a state bank shall not receive a loan or extension of credit from the state bank, exceeding the limitations imposed by this section or for a purpose other than that authorized by this section. Such loans ~~or~~ and extensions of credit shall not exceed an amount totaling more than fifteen percent of the aggregate capital of the state bank ~~and any, except for loans and extensions of credit identified in paragraph "a", subparagraphs (4), (5), and (6).~~ Any such loan on real property shall comply with section 524.905. A majority of the board of directors, voting in the absence of the applying executive officer, whether or not the executive officer is also a director, shall give its prior approval to any obligation of an executive officer to the state bank of which the person is an executive officer. Approval shall be recorded in the minutes.

Sec. 10. Section 524.904, subsections 2, 3, 4, and 5, Code Supplement 1995, are amended to read as follows:

2. A state bank's ~~total outstanding~~ bank may grant loans and extensions of credit to one borrower ~~shall in an amount not to exceed~~ fifteen percent of the state bank's aggregate capital as defined in section 524.103, unless the additional lending provisions described in subsections 3, ~~and 4, and 5~~ apply.

3. A state bank may grant loans ~~or~~ and extensions of credit to one borrower ~~up in an amount not to exceed~~ twenty-five percent of the state bank's aggregate capital ~~if the any amount that exceeds fifteen percent of the state bank's aggregate capital~~ the lending limitation described in subsection 2 is fully secured by one or any combination of the following:

a. Nonnegotiable bills of lading, warehouse receipts, or other documents transferring or securing title covering readily marketable nonperishable staples when such goods are covered by insurance to the extent that insuring the goods is customary, and when the market value of the goods is not at any time less than one hundred twenty percent of the amount of the loans and extensions of credit.

b. Nonnegotiable bills of lading, warehouse receipts, or other documents transferring or securing title covering readily marketable refrigerated or frozen staples when such goods are fully covered by insurance and when the market value of the goods is not at any time less than one hundred twenty percent of the amount of the loans and extensions of credit.

c. Shipping documents or instruments that secure title to or give a first lien on livestock. At inception, the current value of the livestock securing the loans must equal at least one hundred percent of the amount of the outstanding loans and extensions of credit. For purposes of this section, "livestock" includes dairy and beef cattle, hogs, sheep, and poultry, whether or not held for resale. For livestock held for resale, current value means the price listed for livestock in a regularly published listing or actual purchase price established by invoice. For livestock not held for resale, the value shall be determined by the local slaughter price. The bank must maintain in its files evidence of purchase or an inspection and valuation for the livestock pledged that is reasonably current, taking into account the nature and frequency of turnover of the livestock to which the documents relate.

d. Mortgages, deeds of trust, or similar instruments granting a first lien on farmland or on single-family or two-family residences, subject to the provisions of section 524.905, provided the amount loaned shall not exceed fifty percent of the appraised value of such real property.

e. With the prior approval of the superintendent, other readily marketable collateral. The market value of the collateral securing the loans must at all times equal at least one hundred percent of the outstanding loans and extensions of credit.

4. A state bank may grant loans and extensions of credit to ~~a corporate group, including the lending provisions of subsection 3, in an amount not to exceed twenty-five percent of the state bank's aggregate capital. A corporate group includes a person and all corporations in which the person owns or controls fifty percent or more of the shares entitled to vote~~ one borrower not to exceed thirty-five percent of the state bank's aggregate capital if any amount that exceeds the lending limitations described in subsections 2 and 3 consists of obligations as endorser of negotiable chattel paper negotiated by endorsement with recourse, or as unconditional guarantor of nonnegotiable chattel paper, or as transferor of chattel paper endorsed without recourse subject to a repurchase agreement.

5. A state bank may grant loans ~~or~~ and extensions of credit to ~~one borrower not to exceed thirty-five percent of the state bank's aggregate capital if the amount that exceeds the lending provisions provided in subsections 2, 3, and 4 consists of obligations as endorser of negotiable chattel paper negotiated by endorsement with recourse, or as unconditional guarantor of nonnegotiable chattel paper, or as transferor of chattel paper en-~~

~~dorsed without recourse subject to a repurchase agreement a corporate group in an amount not to exceed twenty-five percent of the state bank's aggregate capital if all loans and extensions of credit to any one borrower within a corporate group conform to subsections 2 and 3, and the financial strength, assets, guarantee, or endorsement of any one corporate group member is not relied upon as a basis for loans and extensions of credit to any other corporate group member. A state bank may grant loans and extensions of credit to a corporate group in an amount not to exceed thirty-five percent of aggregate capital if all loans and extensions of credit to any one borrower within a corporate group conform to subsections 2, 3, and 4, and the financial strength, assets, guarantee, or endorsement of any one corporate group member is not relied upon as a basis for loans and extensions of credit to any other corporate group member. A corporate group includes a person and all corporations in which the person owns or controls fifty percent or more of the shares entitled to vote.~~

Sec. 11. Section 524.1007, subsection 3, Code 1995, is amended to read as follows:

3. For purposes of subsection 1, ~~another a trust company subsidiary authorized by the superintendent pursuant to section 524.802, subsection 12, paragraph "b", and located in this state, a state bank located in this state, or a national bank located in this state and organized under 12 U.S.C. sees. § 21, et seq. to engage generally in the banking business. A state bank and another bank shall not be deemed "affiliates" unless both that are under the common ownership of a bank holding company as defined in section 524.1801 that owns at least eighty percent of the voting shares of each of the two banks.~~

Sec. 12. Section 524.1008, subsections 1, 3, and 4, Code 1995, are amended to read as follows:

1. A state bank authorized to act in a fiduciary capacity may enter into an agreement for the succession of fiduciary accounts with a trust company subsidiary authorized by the superintendent pursuant to section 524.802, subsection 12, paragraph "b", or one or more other state or national banks that are located in this state and authorized to act in a fiduciary capacity. In the agreement, the succeeding bank or trust company subsidiary may agree to succeed the relinquishing bank as a fiduciary with respect to those fiduciary accounts which are designated in the agreement. The designation of accounts may be by general class or description and may include fiduciary accounts subject and not subject to court administration and fiduciary accounts to arise in the future under wills, trusts, court orders, or other documents under which the relinquishing bank is named as a fiduciary or is named to become a fiduciary upon the death of a testator or settlor or upon the happening of any other subsequent event. The agreement shall provide either (a) that the succeeding bank or trust company subsidiary maintain one or more employees or agents at the office of the relinquishing bank in order to facilitate the continued servicing of the designated fiduciary accounts, or (b) that the relinquishing bank act as an agent of the succeeding bank or trust company subsidiary with respect to the fiduciary accounts that are subject to the agreement, and the relinquishing bank as an agent may perform services other than fiduciary services with respect to those accounts. If the relinquishing bank is an agent under alternative (b) above, then the relinquishing bank shall disclose to its customers that it is acting as an agent of the succeeding bank or trust company subsidiary. The relinquishing bank shall mail a notice of the succession to all persons having an interest in a fiduciary account at their last known address, and shall publish a notice of the succession to fiduciary accounts in a newspaper published in the county of the principal place of business of the relinquishing bank. After the publication, the succeeding bank or trust company subsidiary shall, without further notice, approval or authorization succeed the relinquishing bank as to the fiduciary accounts and the fiduciary powers, rights, privileges, duties, and liabilities for the fiduciary accounts. On the effective date of the succession to fiduciary accounts, the relinquishing bank is released from fiduciary duties under

the fiduciary accounts and shall discontinue its exercise of trust powers to the fiduciary accounts. This subsection does not absolve a relinquishing bank from liabilities arising out of a breach of fiduciary duty occurring prior to the succession of fiduciary accounts.

~~3. A state bank or national bank that is owned or controlled by a bank holding company as defined in section 524.1801 shall not be a party to an agreement authorized by subsection 1. A bank shall not agree to relinquish fiduciary accounts to or act as an agent of more than one succeeding bank fiduciary at any one time.~~

4. The privilege of succeeding to fiduciary accounts that is extended to a state bank or trust company subsidiary by subsection 1 is also extended on the same terms and conditions to a national bank located in this state and organized under 12 U.S.C. sees. § 21 et seq. ~~to engage generally in the banking business.~~

Sec. 13. Section 524.1201, Code Supplement 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. Notwithstanding any of the other provisions of this section, original loan documentation recordkeeping functions may be located at an authorized bank office or at any other location approved by the superintendent.

Sec. 14. Section 524.1201, subsection 3, Code Supplement 1995, is amended to read as follows:

3. Notwithstanding any of the other provisions of this section, original trust recordkeeping functions may be centrally located at an authorized bank office, ~~and original loan documentation recordkeeping functions may be located at an authorized bank office or at the office of the holding company of a state bank, subject to the approval of or at any other location approved by~~ the superintendent.

Sec. 15. NEW SECTION. 524.1205 ESTABLISHMENT OF BRANCH OR OFFICE IN OTHER STATE – SUPERINTENDENT’S AUTHORITY TO REGULATE.

Notwithstanding section 524.1201, subsection 1, and section 524.1202, subsection 2, paragraph “b”, upon application to and approval by the superintendent, a state bank may acquire in any manner, establish, maintain, operate, retain, or relocate a branch or office in a state other than this state. Subject to the approval of the superintendent, such branch or office may engage in any activity authorized for a branch or office of a bank organized under the laws of that other state. The superintendent shall supervise and regulate all out-of-state branches and offices of a state bank. Sections 524.1201 and 524.1203 apply to an out-of-state branch or office of a state bank except as otherwise provided by the laws of the state in which a branch or office is located or by the superintendent pursuant to this section. This section does not authorize or permit a state-chartered bank located outside of this state or a national bank located outside of this state to establish a de novo branch or office in this state. This section does not authorize or permit, before June 1, 1997, an interstate merger transaction within the meaning of 12 U.S.C. § 1831u(a).

Sec. 16. Section 524.1213, Code 1995, is amended by adding the following new subsections:

NEW SUBSECTION. 4A. For purposes of subsection 3, a bank that results from the conversion of a state savings association or federal savings association, as defined in 12 U.S.C. § 1813, is deemed to have been in continuous existence and operation as a bank for the combined periods of continuous existence and operation of the bank and the association from which it was converted.

NEW SUBSECTION. 4B. For purposes of subsection 3, a bank that has been chartered solely for the purpose of, and does not open for business prior to, acquiring control of, or acquiring all or substantially all of the assets of, a bank located in this state is deemed to have been in existence and operation for the same period of time as the bank which is acquired.

Sec. 17. Section 524.1801, Code 1995, is amended by striking the section and inserting in lieu thereof the following:

524.1801 DEFINITIONS.

As used in this chapter unless the context otherwise requires:

1. "Bank holding company" means bank holding company as defined in 12 U.S.C. § 1841(a), and also includes a company that would become a bank holding company upon completion of an acquisition.
2. "Company" means company as defined in 12 U.S.C. § 1841(b).
3. "Control" means control as provided in 12 U.S.C. § 1841(a).
4. "Location" means, for purposes of determining where a bank or bank holding company is located, the following:
  - a. A bank is located in the state in which its principal place of business or main office is physically located.
  - b. A bank holding company is located in the state which is its home state as determined under 12 U.S.C. § 1841(o)(4).
5. "Out-of-state bank holding company" means out-of-state bank holding company as defined in 12 U.S.C. § 1841(o).

Sec. 18. Section 524.1804, Code 1995, is amended to read as follows:

524.1804 ~~MORE THAN ONE FOURTH OF STOCK BY NOTICE OF ACQUISITION — EFFECT.~~

~~Any A bank holding company, or firm which would thereby become a bank holding company, which proposes to directly or indirectly acquire ownership or control of the voting shares of any bank, and which upon such acquisition would own or control more than twenty five percent of the voting shares of the bank, or directly or indirectly acquire all or substantially all of the assets of, a state bank or national bank, shall provide to the superintendent a copy of any original the application and any modifications or amendments to the application submitted to the board of governors of the federal reserve system board for permission to take such action, and a copy of any subsequent amendment thereto, at the same time the application or amendment is transmitted to the federal reserve system board. The superintendent may conduct such investigation into and evaluation of the proposed action as the superintendent deems necessary and appropriate, and may submit to the federal reserve board any information so obtained together with the superintendent's own comments or recommendations regarding the proposed acquisition.~~

Sec. 19. Section 524.1805, Code 1995, is amended by striking the section and inserting in lieu thereof the following:

524.1805 RESTRICTIONS ON ACQUISITIONS AND MERGERS.

1. An out-of-state bank or out-of-state bank holding company shall not directly or indirectly acquire control of, or directly or indirectly acquire all or substantially all of the assets of, a bank located in this state unless the bank has been in continuous existence and operation for at least five years.
2. For purposes of subsection 1, a bank that has been chartered solely for the purpose of, and does not open for business prior to, acquiring control of, or acquiring all or substantially all of the assets of, a bank located in this state is deemed to have been in existence for the same period of time as the bank to be acquired.
3. For purposes of subsection 1, the period of existence and operation of a bank is deemed to be continuous, notwithstanding any of the following:
  - a. Any direct or indirect change in the name, ownership, or control of the bank.
  - b. Any rechartering or merger of the bank.
4. For purposes of subsection 1, a bank that resulted from the conversion of a state savings association or federal savings association, as defined in 12 U.S.C. § 1813, is deemed to have been in continuous existence and operation as a bank for the combined periods of continuous existence and operation of the bank and the association from which it was converted.

5. An out-of-state bank or out-of-state bank holding company that is organized under laws other than those of this state is subject to and shall comply with the provisions of chapter 490, division XV, relating to foreign corporations, and shall immediately provide the superintendent of banking with a copy of each filing submitted to the secretary of state under that division.

Sec. 20. Section 524.1912, subsection 2, Code 1995, is amended to read as follows:

2. An authorization for a state bank to engage in activities regulated under title XIII, subtitle 1, if any, does not grant a ~~regional bank holding company~~ an out-of-state bank holding company that acquires a state bank ~~under section 524.1903~~ or any state bank owned or controlled by ~~that~~ such bank holding company or any subsidiary or affiliate the ability or right to engage in such activities outside of this state.

Sec. 21. Section 535B.2, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 13. A nonprofit organization qualifying for tax exempt status under the Internal Revenue Code as defined in section 422.3 which offers housing services to low and moderate income families.

Sec. 22. Section 535B.3, subsections 1 and 3, Code 1995, are amended to read as follows:

1. A person exempt under section 535B.2, subsection 10, 11, ~~or 12~~, or 13, shall register with the administrator.

3. The registrant, except a nonprofit organization exempt under section 535B.2, subsection 13, shall pay an annual registration fee of one hundred dollars.

Sec. 23. Section 524.1912, Code 1995, as amended by section 20 of this Act, shall be recodified by the Code editor as section 524.1808 of the Code.

Sec. 24.

1. Sections 524.1901 through 524.1904 and 524.1906 through 524.1911, Code 1995, are repealed.

2. Section 524.1905, Code Supplement 1995, is repealed.

Approved April 4, 1996

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## CHAPTER 1057

### OPEN-END CREDIT ACCOUNTS – DISCLOSURE REQUIREMENTS

S.F. 2282

**AN ACT** relating to the requirement of notifying a consumer of a change in the terms of an open-end credit agreement.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 537.3205, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 6. Notwithstanding subsections 1 through 5, a creditor is not required to deliver or mail to the consumer a written disclosure of a change in the terms of an open-end credit account if the change involves a decrease in the rate of the finance charge, a decrease in a delinquency charge, or a decrease in an over-limit charge.

Approved April 4, 1996