CHAPTER 536A

INDUSTRIAL LOANS

Referred to in §216.10, 322.21, 524.211, 524.212, 524.606, 524.821, 527.2, 533.301, 533A.2, 533D.16, 535.2, 535A.2, 535B.2, 535C.2, 535D.3, 535D.14, 536.20, 536C.3, 537.2301, 537.2403, 537.6105, 537.6201, 546.3, 669.14, 714H.4

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536A.33 and 536A.34 Repealed by 2007 Acts, ch 170, §8.

536A.1 Title.

This chapter may be referred to as the *"Iowa Industrial Loan Law"*.

[C66, 71, 73, 75, 77, 79, 81, §536A.1]

536A.2 Definitions.

The following words and terms when used in this chapter shall have the following meanings unless the context clearly requires a different meaning:

1. *"Administrator"* means the person designated in section 537.6103.
2. *"Affiliate"* means the same as defined in 12 U.S.C. §1841(k).
3. *"Commercial activities"* means activities in which an industrial loan company is not specifically authorized to engage under the provisions of this chapter.
4. *"Control"* means the same as provided in 12 U.S.C. §1841(a)(2).
5. *"Corporation"* shall mean any corporation for pecuniary profit organized under the laws of the state of Iowa.
6. *"Industrial loan company"* shall mean a corporation operating under the provisions of this chapter and engaged in the business of loaning money to be repaid in one payment or in weekly, monthly or other periodic installments and the charging, receiving or requiring of interest, discount, fees, compensation or charges of whatever nature or kind for the use of such money and for the services to be rendered to the borrower in connection with the loan. The term *"industrial loan company"* shall not include those businesses specifically exempted in section 536A.5.
7. *"License"* shall mean a permit or authorization issued or required under the provisions of this chapter to make loans in accordance with this chapter at a single location or place of business.
8. *"Licensee"* means a person licensed under this chapter.
9. *"Superintendent"* means the superintendent of banking within the banking division of the department of commerce.

[C66, 71, 73, 75, 77, 79, 81, §536A.2]

86 Acts, ch 1245, §757; 94 Acts, ch 1023, §68; 2006 Acts, ch 1015, §12

Referred to in §714H.4

536A.3 License.

With respect to a loan other than a consumer loan, a person shall not engage in the business of operating an industrial loan company in this state without first having obtained a license from the superintendent. With respect to a consumer loan, a person required by section 537.2301 to have a license is not authorized to engage in the business of operating an industrial loan company without first obtaining a license from the superintendent. A person that enters into less than ten supervised loans per year in this state and that neither has an office physically located in this state nor engages in face-to-face solicitation in this state may contract for and receive the rate of interest permitted in this chapter for licensees in this chapter. A "*consumer loan*" means the same as defined in section 537.1301.

[C66, 71, 73, 75, 77, 79, 81, §536A.3]

86 Acts, ch 1245, §758

Referred to in §536A.27

536A.4 Limitations.

A license shall not be issued to any individual, partnership, nonprofit organization, or unincorporated association. A license shall not be issued to an applicant that engages in commercial activities directly or through an affiliate. Not more than one place of business where loans are made shall be maintained under the same license but the superintendent may issue more than one license to the same licensee upon compliance, for each such additional license, with all the provisions of this chapter governing an original issuance of a license.

[C66, 71, 73, 75, 77, 79, 81, §536A.4]

2006 Acts, ch 1015, §13

536A.5 Exemptions.

This chapter does not apply to any of the following:

1. Businesses organized or operating as permitted under the authority of a law of this state or the United States relating to banks, trust companies, building and loan associations, savings and loan associations, insurance companies, regulated loan companies organized under chapter 536, or credit unions.
2. Persons that make loans only on notes secured by first mortgages on real estate.
3. Licensed real estate brokers or salespersons.
4. A person engaged exclusively in the business of purchasing commodity financing or commercial paper.
5. A pawnbroker.
6. Loans made to a domestic or foreign corporation.

[C66, 71, 73, 75, 77, 79, 81, §536A.5]

85 Acts, ch 158, §10; 2006 Acts, ch 1015, §14

Referred to in §536A.2

536A.6 Administration by superintendent.

The superintendent shall supervise the operation of industrial loan companies in this state in accordance with this chapter.

[C66, 71, 73, 75, 77, 79, 81, §536A.6]

86 Acts, ch 1245, §759

536A.7 Application for license.

1. The application for a license to engage in the business of operating an industrial loan company shall be in the form as may be prescribed by the superintendent. The application shall give all of the following information:

a. The name of the corporation.

b. The location where the business is to be conducted, including the street address of the place of business.

c. The names and addresses of the officers and directors of the corporation.

d. Other relevant information as the superintendent shall require.

2. At the time of making the application, the applicant shall pay to the superintendent

the sum of one hundred dollars to cover the cost of the investigation of the applicant. The applicant shall also pay to the superintendent the sum of two hundred fifty dollars as an annual license fee for the period ending December 31 following the application.

[C66, 71, 73, 75, 77, 79, 81, §536A.7]

89 Acts, ch 257, §29; 2006 Acts, ch 1042, §43

Referred to in §536A.9, 536A.11

536A.7A Bonds.

1. An applicant for a license shall file with the superintendent a bond furnished by a surety company authorized to do business in this state. Until such time as the superintendent pursuant to administrative rule determines a bond amount that reflects the dollar value of the loans originated, the bond shall be in the amount of twenty-five thousand dollars. The bond shall be continuous in nature until canceled by the surety with not less than thirty days' notice in writing to the applicant and to the superintendent indicating the surety's intention to cancel the bond on a specific date. The bond shall be for the use of the state and any persons who may have causes of action against the applicant. The bond shall be conditioned upon the applicant's faithfully conforming to and abiding by this chapter and any rules adopted under this chapter and shall require that the surety pay to the state and to any persons all moneys that become due or owing to the state and to the persons from the applicant by virtue of this chapter.

2. In lieu of filing a bond, the applicant may pledge an alternative form of collateral acceptable to the superintendent, if the alternative collateral provides protection to the state and any aggrieved person that is equivalent to that provided by a bond.

2008 Acts, ch 1160, §32; 2009 Acts, ch 61, §44, 47

536A.8 Capital stock requirement.

The paid-in capital stock of any corporation engaged in the business of operating an industrial loan company shall not be less than twenty-five thousand dollars when the corporation is transacting business in any city having less than twenty-five thousand inhabitants according to the last preceding decennial census. The paid-in capital stock of any corporation engaged in the business of operating an industrial loan company in any city having a population of more than twenty-five thousand inhabitants according to the last preceding decennial census shall not be less than fifty thousand dollars. The paid-in capital stock of any corporation engaged in the business of operating an industrial loan company outside the limits of any incorporated city shall not be less than fifty thousand dollars. Every corporation engaged in the industrial loan business in the state of Iowa shall have a surplus of not less than ten percent of its paid-in capital stock.

[C66, 71, 73, 75, 77, 79, 81, §536A.8]

Referred to in §536A.10, 536A.30

536A.9 Investigation of application.

Upon the filing of an application for a license to engage in the business of operating an industrial loan company, and upon payment of the investigation fee and license fee as required by section 536A.7, the superintendent shall cause an investigation to be made of the facts set forth in the application. If as the result of the preliminary investigation the superintendent deems it proper, the superintendent may hold a hearing at a time and place designated by the superintendent for the purpose of completing the superintendent's investigation.

[C66, 71, 73, 75, 77, 79, 81, §536A.9]

536A.10 Issuance of license.

1. The superintendent shall approve the application and issue to the applicant a license to engage in the industrial loan business in accordance with the provisions of this chapter, if the superintendent shall find:

a. That the financial responsibility, experience, character and general fitness of the applicant and of the officers thereof are such as to command the confidence of the

community, and to warrant the belief that the business will be operated honestly, fairly and efficiently within the purpose of this chapter;

b. That a reasonable necessity exists for a new industrial loan company in the community to be served;

c. That the applicant has available for the operation of the business at the specified location paid-in capital and surplus as required by section 536A.8; and

d. That the applicant is a corporation organized for pecuniary profit under the laws of the state of Iowa.

2. The superintendent shall approve or deny an application for a license within one hundred twenty days from the date of the filing of such application.

[C66, 71, 73, 75, 77, 79, 81, §536A.10]

2012 Acts, ch 1023, §139; 2012 Acts, ch 1138, §74

Referred to in §536A.30

536A.11 Denial of license.

1. If the superintendent shall not approve the application, the superintendent shall prepare a written denial of the application with a written finding of facts which shall be sent by certified mail to the applicant. Within fifteen days after mailing of notice of the denial of its application, the applicant may file with the superintendent a written demand for a hearing on the application. Upon such demand being made, the superintendent must within thirty days hold a formal hearing at the superintendent's office in Des Moines, Iowa, notice of the time of which hearing shall be given by the superintendent to the applicant by mail within fifteen days after the filing of the written demand by the applicant. Notice of the time and place of hearing shall also be given by the superintendent to all corporations holding licenses to engage in the industrial loan business in the county where the applicant proposes to establish its business and notice of said time and place of hearing shall be published pursuant to section 618.14.

2. At the formal hearing after the original denial of the license by the superintendent, the applicant shall be entitled to present evidence in support of the application. The superintendent shall then grant or deny the application for a license within thirty days from the date of the formal hearing and give notice to the applicant by a decision and finding of facts in writing. If the application for a license is disapproved and a license is denied, the superintendent shall refund the annual license fee which was required to be deposited by section 536A.7 providing the cost of investigation does not exceed the investigation fee. If the cost of investigation exceeds the investigation fee, the excess cost shall be deducted from the license fee before any refund is made.

3. Judicial review of actions of the superintendent may be sought in accordance with the terms of the Iowa administrative procedure Act, chapter 17A.

[C66, 71, 73, 75, 77, 79, 81, §536A.11]

2003 Acts, ch 44, §114; 2018 Acts, ch 1041, §127

536A.12 Continuing license — annual fee — change of name or location — change of control.

1. Each license remains in full force and effect until surrendered, revoked, or suspended, or until there is a change of control.

2. A licensee, on or before December 1, shall pay to the superintendent the sum of two hundred fifty dollars as an annual license fee for the succeeding calendar year. The licensee shall submit the annual license fee with a renewal application in the form prescribed by the superintendent. The superintendent may assess a late fee of ten dollars per day per license for applications received after December 1.

3. When a licensee changes its name or place of business from one location to another in the same city, the licensee shall notify the superintendent thirty days in advance of the effective date of the change. A licensee shall pay a fee of twenty-five dollars per license to the superintendent with the notification of change.

4. *a.* A person who proposes to purchase or otherwise acquire, directly or indirectly, any of the outstanding shares of an industrial loan company which would result in a change of

control of the industrial loan company, shall first apply in writing to the superintendent for a certificate of approval for the proposed change of control.

b. At the time of making the application, the applicant shall pay to the superintendent one hundred dollars to cover the cost of the investigation of the applicant.

c. The superintendent shall grant the certificate if the superintendent is satisfied of both of the following:

(1) The person who proposes to obtain control of the industrial loan company is qualified by character, experience, and financial responsibility to control and operate the industrial loan company in a sound and legal manner.

(2) The interests of the thrift certificate holders, creditors, and shareholders of the industrial loan company, and of the public generally, will not be jeopardized by the proposed change of control.

d. If a board member of the industrial loan company has reason to believe any of the requirements of this subsection have not been met, the board member shall promptly report the facts in writing to the superintendent.

e. If there is any doubt as to whether a change in the ownership of the outstanding shares is sufficient to result in control of the industrial loan company, or to effect a change in the control of the industrial loan company, the doubt shall be resolved in favor of reporting the facts to the superintendent.

5. *a.* For purposes of this section, a change of control does not occur when a majority shareholder of an industrial loan company transfers the shareholder's shares of the industrial loan company to a revocable trust, so long as the transferor retains the power to revoke the trust and take possession of the shares.

b. Notwithstanding the provisions of paragraph *"a"*, a change of control is deemed to occur two years after the death of the majority shareholder, whether the shareholder's shares of the industrial loan company are held in a revocable trust or otherwise.

[C66, 71, 73, 75, 77, 79, 81, §536A.12]

87 Acts, ch 11, §1, 2; 96 Acts, ch 1159, §1; 2002 Acts, ch 1119, §184; 2006 Acts, ch 1015, §15; 2006 Acts, ch 1042, §44

536A.13 Books and records.

Each industrial loan company shall keep such books, accounts and records as will enable the superintendent to determine whether or not the licensee is complying with the provisions of this chapter. Industrial loan companies shall not be required to preserve or keep their records or files for a longer period than eleven years next after the first day of January of the year following the time of the making or filing of such records or files.

[C66, 71, 73, 75, 77, 79, 81, §536A.13]

536A.14 Reports.

1. *a.* Each licensee shall annually on or before the fifteenth day of April file with the superintendent a report in writing showing the results of the operation of its industrial loan business for the previous calendar year, which reports shall contain:

(1) A balance sheet showing all assets and liabilities as of the thirty-first day of December next preceding.

(2) An operating statement showing income, expenses, and net profit for the previous calendar year.

(3) Such other relevant information as the superintendent shall reasonably require.

b. The report shall be verified under oath by the president and secretary of the corporation. The superintendent shall make and publish annually an analysis and recapitulation of such reports.

2. Each licensee making residential mortgage loans shall submit to the nationwide mortgage licensing system and registry reports of condition, which shall be in such form and shall contain such information as the nationwide mortgage licensing system and registry

may require. For purposes of this subsection, *"nationwide mortgage licensing system and registry"* and *"residential mortgage loan"* mean the same as defined in section 535D.3.

[C66, 71, 73, 75, 77, 79, 81, §536A.14]

2008 Acts, ch 1160, §33; 2009 Acts, ch 61, §45, 47

Referred to in §535D.23

536A.15 Examination of licensees.

1. The superintendent or the superintendent's designee shall, at least once each year without previous notice, examine the books, accounts, and records of each licensee engaged in the industrial loan business as defined by this chapter. A licensee issuing senior debt to the general public shall be audited at the expense of the licensee by a certified public accountant licensed to practice in the state of Iowa. A licensee not issuing senior debt to the general public may provide an audited statement of the licensee's parent corporation which includes the Iowa licensee. After receiving such an audit or audited statement, the superintendent may make further examination of the licensee as the superintendent deems necessary. A record of each examination shall be kept in the superintendent's office.

2. Except as otherwise provided by this chapter, all papers, documents, examination reports, and other writing relating to the supervision of licensees are not public records and are not subject to disclosure under chapter 22. The superintendent may disclose information to representatives of other state or federal regulatory authorities. The superintendent may release summary complaint information so long as the information does not specifically identify the complainant. The superintendent may prepare and circulate reports reflecting financial information and examination results for all licensees on an aggregate basis, including other information considered pertinent to the purpose of each report for general statistical information. The superintendent may prepare and circulate reports provided by law. The superintendent may release the reports and correspondence in the course of an enforcement proceeding or a hearing held by the superintendent. The superintendent may also provide this information to the attorney general for purposes of enforcing this chapter or the consumer fraud Act, section 714.16.

3. Any evidence of criminal acts committed by officers, directors, or employees of an industrial loan company shall be reported by the superintendent to the proper authorities.

4. The licensee shall be charged and shall pay the actual costs of the examination as determined by the superintendent based on the actual cost of the operation of the finance bureau of the banking division of the department of commerce including the proportionate share of administrative expenses in the operation of the banking division attributable to the finance bureau as determined by the superintendent incurred in the discharge of the duties imposed upon the superintendent by this chapter. Failure to pay the examination fee within thirty days of receipt of demand from the superintendent shall subject the licensee to a late fee of five percent of the amount of the examination fee for each day the payment is delinquent.

[C66, 71, 73, 75, 77, 79, 81, §536A.15]

87 Acts, ch 11, §3; 2006 Acts, ch 1042, §45

Referred to in §536A.30, 537.2305

536A.16 Cease and desist orders.

If the superintendent has reasonable cause to believe that a licensee is violating this chapter or rules adopted pursuant to this chapter, the superintendent may, after ten days' advance written notice, in addition to all actions provided for in this chapter, and without prejudice, enter an order requiring the licensee to cease, desist, and refrain from the violation. After receipt of the advance written notice, the licensee, within five days from the receipt of the notice, may file with the superintendent a written demand for a hearing. Hearings shall promptly be held in the office of the superintendent and a cease and desist order shall not be issued until after the hearing. The licensee shall be entitled to present evidence and the testimony of witnesses at the hearing.

[C66, 71, 73, 75, 77, 79, 81, §536A.16; 82 Acts, ch 1253, §37]

91 Acts, ch 63, §1

536A.17 Injunctions.

The superintendent by counsel of the attorney general may commence an action in the district court, in the name of the state of Iowa as plaintiff on the relation of the superintendent to restrain and enjoin any licensee from violating this chapter or rules adopted pursuant to this chapter, or to restrain and enjoin any person, partnership, firm, or corporation from engaging in the business of operating an industrial loan company without obtaining a license as required by this chapter.

[C66, 71, 73, 75, 77, 79, 81, §536A.17; 82 Acts, ch 1253, §38]
91 Acts, ch 63, §2; 2008 Acts, ch 1032, §106

536A.18 Disciplinary action.

1. The superintendent may, after notice and hearing pursuant to chapter 17A, take disciplinary action against a licensee if the superintendent finds any of the following:

a. That the licensee has failed to pay the annual license fee required by this chapter or to maintain in effect the bond or bonds required under this chapter.

b. That the licensee has violated any of the provisions of this chapter or a rule adopted under this chapter or any other state or federal law, rule, or regulation applicable to the conduct of its business.

c. That the licensee has refused to submit to the examination required by this chapter.

d. That the licensee has neglected or refused for a period of more than thirty days to pay a final judgment rendered against it in the courts of this state.

e. That the licensee has become insolvent.

f. A fact or condition exists which would have warranted the superintendent to refuse to originally issue the license.

g. The licensee has violated an order of the superintendent.

2. The superintendent may impose one or more of the following disciplinary actions against a licensee:

a. Revoke a license.

b. Suspend a license until further order of the superintendent or for a specified period of time.

c. Impose a period of probation under specified conditions.

d. Impose civil penalties in an amount not to exceed five thousand dollars for each violation.

e. Issue a citation and warning respecting licensee behavior.

f. Order the licensee to pay restitution.

3. The superintendent may order an emergency suspension of a licensee's license pursuant to section 17A.18A. A written order containing the facts or conduct which warrants the emergency action shall be timely sent to the licensee by restricted certified mail. Upon issuance of the suspension order, the licensee must also be notified of the right to an evidentiary hearing. A suspension proceeding shall be promptly instituted and determined.

4. Except as provided in this section, a license shall not be revoked or suspended except after notice and a hearing thereon in accordance with chapter 17A.

5. A licensee may surrender a license by delivering to the superintendent written notice of surrender, but a surrender does not affect the licensee's civil or criminal liability for acts committed before the surrender.

6. A suspension, revocation, relinquishment, or expiration of a license shall not invalidate, impair, or affect the legality of obligations of any preexisting contracts, or prevent the enforcement or collection thereof.

7. Judicial review of the actions of the superintendent may be sought in accordance with the terms of the Iowa administrative procedure Act, chapter 17A.

[C66, 71, 73, 75, 77, 79, 81, §536A.18]
2003 Acts, ch 44, §114; 2008 Acts, ch 1160, §34

536A.19 Receivership — liquidation.

1. If the superintendent revokes the license of any industrial loan company, the superintendent shall promptly report the revocation to the attorney general, who may apply

to the district court of the county in which the licensee had conducted its business for the appointment of a receiver to take possession of the assets of the corporation for the purpose of liquidating its affairs. The court shall appoint the superintendent as receiver unless the superintendent has tendered the appointment to the federal deposit insurance corporation, in which case the court shall appoint the federal deposit insurance corporation as receiver. The affairs of the industrial loan company, after such appointment, shall be under the direction of the court. The attorney general shall represent the superintendent in all proceedings connected with the receivership.

2. When an insured industrial loan company has ceased to carry on its business, the superintendent may tender the appointment as receiver of the insured industrial loan company to the federal deposit insurance corporation. If the federal deposit insurance corporation accepts the appointment as receiver, the rights of depositors and other creditors of the insured industrial loan company shall be determined in accordance with the laws of this state.

3. The federal deposit insurance corporation as receiver shall possess all of the powers, rights, and privileges of the superintendent in connection with the liquidation.

4. If the federal deposit insurance corporation pays or makes available for payment the insured deposit liabilities of an insured industrial loan company, the federal deposit insurance corporation, whether or not it has become receiver, shall be subrogated to all rights of the owners of such deposits against the insured industrial loan company in the same manner and to the same extent as subrogation of the federal deposit insurance corporation is provided for in applicable federal law with respect to a national bank.

[C66, 71, 73, 75, 77, 79, 81, §536A.19]

96 Acts, ch 1159, §2

536A.20 Real estate loans.

1. A licensed industrial loan company may make permanent loans, construction loans, or combined construction and permanent loans, secured by liens on real property, as authorized by rules adopted by the superintendent under chapter 17A. These rules shall contain provisions as necessary to insure the safety and soundness of these loans, and to insure full and fair disclosure to borrowers of the effects of provisions in agreements for these loans, including provisions permitting change or adjustment of any terms of a loan, provisions permitting, requiring, or prohibiting repayment of a loan on a basis other than of equal periodic installments of interest plus principal over a fixed term, provisions imposing penalties for the borrower's noncompliance with requirements of a loan agreement, or provisions allowing or requiring a borrower to choose from alternative courses of action at any time during the effectiveness of a loan agreement.

2. A licensed industrial loan company may require and establish escrow accounts in connection with subsection 3.

3. *a.* A licensed industrial loan company may act as an escrow agent with respect to real property that is mortgaged to the licensed industrial loan company, and may receive funds and make disbursements from escrowed funds in that capacity. The licensed industrial loan company shall be deemed to be acting in a fiduciary capacity with respect to these funds. A licensed industrial loan company receiving funds in escrow pursuant to an escrow agreement executed on or after July 1, 1982 and before July 1, 1983 or on or after July 1, 1984 in connection with a loan defined in section 535.8, subsection 1, shall pay interest to the borrower on those funds, calculated on a daily basis, at the lowest rate the company pays to holders of thrift certificates issued by the company. A licensed industrial loan company which maintains such an escrow account, whether or not the mortgage has been assigned to a third person, shall deliver to the mortgagor a written summary of all transactions made with respect to the loan and escrow accounts during each calendar year. However, the mortgagor and mortgagee may, by mutual agreement, select a fiscal year reporting period other than the calendar year.

b. The summary shall be delivered or mailed not later than thirty days following the year to which the disclosure relates. The summary shall contain all of the following information:

(1) The name and address of the mortgagee.

(2) The name and address of the mortgagor.
(3) A summary of escrow account activity during the year as follows:
(a) The balance of the escrow account at the beginning of the year.
(b) The aggregate amount of deposits to the escrow account during the year.
(c) The aggregate amount of withdrawals from the escrow account for each of the following categories:
(i) Payments against loan principal.
(ii) Payments against interest.
(iii) Payments against real estate taxes.
(iv) Payments for real property insurance premiums.
(v) All other withdrawals.
(d) The balance of the escrow account at the end of the year.
(4) A summary of loan principal for the year as follows:
(a) The amount of principal outstanding at the beginning of the year.
(b) The aggregate amount of payments against principal during the year.
(c) The amount of principal outstanding at the end of the year.

4. Section 524.905, subsection 4, applies to the licensed industrial loan company in the same manner as if the licensed industrial loan company is a bank within the meaning of that provision.

[82 Acts, ch 1253, §36, 43]
83 Acts, ch 124, §21 – 23; 84 Acts, ch 1205, §1; 2012 Acts, ch 1023, §157
Referred to in §535B.11

536A.21 Other business in same office.

A licensee engaged in the business of operating an industrial loan company under the provisions of this chapter may not conduct its business within any office, room, suite, place of business, or premises in which commercial activities are conducted, unless the place where its business is conducted by the industrial loan company is physically separated from the location where commercial activities are conducted and has a separate entrance. The prohibition of this section shall not apply to the conduct of business if, prior to January 1, 2006, the superintendent has determined in writing that the character of the other business is such that its operation by the licensee would not facilitate evasions of the provisions of this chapter or any other provision of the Code relating to the making of loans.

[C66, 71, 73, 75, 77, 79, 81, §536A.21]
2006 Acts, ch 1015, §16

536A.22 Thrift certificates.

1. Licensed industrial loan companies shall not sell senior debt to the general public in the form of thrift certificates, installment thrift certificates, certificates of indebtedness, promissory notes, or similar evidences of indebtedness.

2. *a.* Licensees selling debt instruments on January 1, 1996, may continue to do so until there is a change of control of the licensee which occurs on or after January 1, 1996. If there is a change of control of a licensee on or after January 1, 1996, and the licensee has sold senior debt instruments that remain outstanding at the time of the change of control, such outstanding senior debt instruments that do not have a stated maturity date shall be redeemed within six months of the date of the change of control. Such outstanding senior debt instruments with stated maturity dates shall be redeemed on their stated maturity dates.

b. The total amount of such thrift certificates, installment thrift certificates, certificates of indebtedness, promissory notes, or similar evidences of indebtedness outstanding and in the hands of the general public shall not at any time exceed ten times the total amount of capital, surplus, undivided profits, and subordinated debt that gives priority to such securities of the issuing industrial loan company. The sale of such securities is subject to the provisions of chapter 502 and rules adopted by the superintendent of banking pursuant to chapter 17A, except that the sale of thrift certificates or installment thrift certificates which are redeemable

by the holder either upon demand or within a period not in excess of five years are exempt from sections 502.301 and 502.504.

[C66, 71, 73, 75, 77, 79, 81, §536A.22; 82 Acts, ch 1253, §39]

91 Acts, ch 63, §3; 93 Acts, ch 96, §1; 96 Acts, ch 1159, §3; 2004 Acts, ch 1161, §67, 68; 2006 Acts, ch 1015, §17; 2007 Acts, ch 170, §6

536A.23 Powers of industrial loan companies.

1. No industrial loan company licensed under the provisions of this chapter shall have the power and authority to:

a. (1) Charge, receive, or collect interest at a rate exceeding ten cents on the hundred by the year, except that the interest may be computed when the note is made on the full amount of the cash advanced on the loan from the date of the note to the date of the final installment thereof, and the interest so computed may be included in the note, notwithstanding any agreement to pay the entire amount in installments; or the interest may be computed on the amount of the note and discounted or collected in advance when the loan is made, notwithstanding any agreement to pay the entire amount in installments. If the note is repayable in other than equal monthly installments, the interest may be an amount computed on the basis of the effective rates permitted as provided above; provided, however, there shall be no compounding of interest and when an interest rate as authorized herein is advertised, or negotiated for with a prospective borrower, with intent that it be computed by either of the two methods authorized herein, they being the "add on" method or the "discount" method, in such case such rate shall be further described as to the method of computation to be used, but interest computed by either method shall be stated to the borrower as provided in section 537.3210.

(2) If a borrower elects to repay a loan secured by a mortgage or deed of trust upon real property which is a single-family or two-family dwelling or agricultural land at a date earlier than is required by the terms of the loan, the licensee shall be governed by section 535.9.

(3) The limitation on interest rate which is contained in this paragraph "*a*" shall not apply to any loan in which the borrower is a corporation or investment trust or any other person who is referred to in section 535.2, subsection 2.

b. Charge, receive, or collect in advance, a service charge in excess of one dollar for each fifty dollars of the amount of the note, not to exceed a total of one hundred twenty dollars.

c. Require any borrower to purchase insurance from the lender as a condition for obtaining a loan. However, an industrial loan company may collect from the borrower, at the option of the borrower, and transmit the premiums charged for insuring real or personal property used by the borrower as security for a loan and provided that such insurance is obtained from a licensed insurance producer for an insurance company authorized to do business in Iowa; and the premiums charged for insuring the life of one party on the loan in an amount not to exceed the total amount of the note or contract, including cash advance, interest and service charge, provided that no licensee shall require that the contract of life insurance be outstanding for more than the unpaid balance of the indebtedness and provided that such insurance is obtained from a licensed insurance producer for an insurance company authorized to do business in Iowa; and an industrial loan company may receive and transmit the premiums charged for accident and health insurance on the borrower, provided such insurance bears a reasonable relationship to the existing hazards or risk of loss, and the aggregate benefits of which shall not exceed the approximate amount of the contractual payments on the loan outstanding at the time of loss, and provided that such insurance is obtained from a licensed producer for an insurance company authorized to do business in Iowa. However, all life insurance rates in connection with industrial loans shall be subject to the rules and regulations of the insurance commissioner of the state of Iowa.

d. Engage in commercial activities or have an affiliate that engages in commercial activities. This paragraph shall not apply to an industrial loan company with an affiliate that is engaged in commercial activities prior to January 1, 2006, if control of the industrial loan company is not thereafter transferred to an entity that engages in commercial activities directly or through an affiliate.

e. Obtain or arrange a residential mortgage loan for a potential borrower from a third

person, unless the industrial loan company also has a mortgage broker license and complies with all provisions of chapter 535B.

2. Industrial loan companies licensed under the provisions of this chapter may purchase notes, contracts, mortgages, accounts, receivables, leases and securities of a type and kind authorized by the superintendent.

3. In addition to the other charges authorized by this chapter, industrial loan companies licensed under this chapter may collect an appraisal fee on a loan secured by a mortgage or deed of trust upon real property, if the appraisal fee is bona fide, reasonable in amount, and not for purposes of circumvention or evasion of this chapter.

[C66, 71, 73, 75, 77, 79, S79, C81, §536A.23; 82 Acts, ch 1153, §8, 18(1)]

84 Acts, ch 1205, §2; 89 Acts, ch 295, §1; 2001 Acts, ch 16, §34, 37; 2006 Acts, ch 1015, §18; 2008 Acts, ch 1160, §35

536A.24 Electronic transactions.

A licensee may engage in any transaction otherwise permitted by this chapter and applicable law, by means of either the direct transmission of electronic impulses or other indicia of a transaction for delayed transmission to the licensee. Subject to the provisions of chapter 527, a licensee may utilize, establish or operate, alone or with one or more other licensees, banks incorporated under the provisions of chapter 524 or federal law, credit unions incorporated under the provisions of chapter 533 or federal law, savings and loan associations incorporated under the provisions of federal law, or third parties, the satellite terminals permitted under chapter 527, by means of which the licensee may transmit to or receive from any customer electronic impulses constituting transactions pursuant to this section. However, such utilization, establishment or operation is lawful only when in compliance with chapter 527. Nothing in this section authorizes a licensee or other person to engage in transactions not otherwise permitted by applicable law, nor does anything in this section repeal, replace or in any other way affect any applicable law or rule regarding the maintenance of or access to financial information maintained by a licensee.

[C81, §536A.24]

2012 Acts, ch 1017, §137

536A.25 Restrictions.

1. *a.* An industrial loan company licensed under this chapter that sells debt instruments to the general public in the form of thrift certificates, installment thrift certificates, certificates of indebtedness, promissory notes, or similar evidences of indebtedness shall not make a loan of money or property to or guarantee the obligations of its directors or officers; or loan to any borrower, other than a subsidiary or affiliated corporation, more than twenty percent of its total capital, surplus, and undivided profits.

b. A licensee shall not make a loan under any other name or at any other place of business than that named in the license.

2. *a.* An industrial loan company licensed under this chapter that sells debt instruments to the general public in the form of thrift certificates, installment thrift certificates, certificates of indebtedness, promissory notes, or similar evidences of indebtedness, shall not loan to a borrower, including a subsidiary or an affiliated corporation, more than twenty percent of the industrial loan company's total of capital, surplus, and undivided profits. The aggregate of all loans to subsidiaries and affiliated corporations of the industrial loan company shall not exceed ten percent of the industrial loan company's total assets.

b. A debt instrument sold by an industrial loan company which is not insured by the federal deposit insurance corporation, shall contain on its face a notice in bold print that the debt instrument is not insured or guaranteed by the federal deposit insurance corporation.

3. Investments by an industrial loan company licensed under this chapter that sells debt instruments to the general public in the form of thrift certificates, installment thrift certificates, certificates of indebtedness, promissory notes, or similar evidences of indebtedness are subject to the provisions of section 524.901 as applied to state banks.

[C66, 71, 73, 75, 77, 79, 81, §536A.25]

91 Acts, ch 63, §4; 2006 Acts, ch 1042, §46; 2012 Acts, ch 1023, §157

536A.26 Prepayment.

In addition to the requirements of the Iowa consumer credit code, chapter 537, respecting consumer loans, and notwithstanding the provisions of any note or contract to the contrary, a borrower may, at any time, prepay all or any part of the unpaid balance to become payable under any note or installment contract.

[C66, 71, 73, 75, 77, 79, 81, §536A.26]

2003 Acts, ch 44, §114

536A.27 Penalty.

If any officer, director, or agent of any corporation engaged in the business of operating an industrial loan company shall violate any of the provisions of this chapter which are not also violations of the Iowa consumer credit code, chapter 537; or if any person individually or as a partner, or officer, director, or agent of any corporation shall engage in the business of operating an industrial loan company without obtaining the license required by section 536A.3, when that person is not required by section 537.2301 to have a license, the person shall be guilty of a serious misdemeanor. Violations of the Iowa consumer credit code, chapter 537, shall be subject to the penalties provided therein.

[C66, 71, 73, 75, 77, 79, 81, §536A.27]

2003 Acts, ch 44, §114

536A.28 Rules.

The superintendent is hereby authorized and empowered to make such reasonable and relevant rules, not inconsistent herewith, as may be necessary for the enforcement of the provisions of this chapter.

[C66, 71, 73, 75, 77, 79, 81, §536A.28]

536A.29 Enforcement of Iowa consumer credit code.

1. The superintendent shall enforce the Iowa consumer credit code, chapter 537, with respect to licensees, as provided in sections 537.2303, 537.2305 and 537.6105.

2. The superintendent shall cooperate with the administrator, and shall assist the administrator whenever necessary to provide for the discharge of the duties of the administrator.

3. Notwithstanding other provisions of this chapter to the contrary, the superintendent shall authorize to be furnished to the administrator, access to or copies of records in the possession of the superintendent or other persons which relate to a licensee when necessary to enable the administrator to enforce chapter 537.

4. The superintendent shall make an annual report in writing to the administrator. A copy of the report shall be furnished at cost by the superintendent to each licensee or other person upon request. The annual report shall contain:

a. A summary of license applications approved or denied by the superintendent since the last report.

b. A summary of the assets, liabilities and capital structure of all licensees, and volume of consumer installment credit outstanding per licensee, as of December 31 of the year for which the report is made.

c. An estimate of the disbursements of agency funds for consumer credit protection during the calendar year ending the preceding December 31.

d. Information which the superintendent may deem appropriate and advisable to disclose.

e. Information which the administrator may require to be included.

[C75, 77, 79, 81, §536A.29]

2003 Acts, ch 44, §114

536A.30 Nonresident licensees — face-to-face solicitation.

Notwithstanding other provisions of this chapter to the contrary, a person that neither has an office physically located in this state nor engages in face-to-face solicitation in this state, if authorized by another state to make loans in that state at a rate of finance charge in excess

of the rate provided in chapter 535, shall not be subject to the following provisions of this chapter:

1. Section 536A.8.
2. Section 536A.10, subsection 1, paragraphs *"b"*, *"c"*, and *"d"*.
3. Section 536A.15, to the extent it requires the superintendent to make an examination and audit of the books, accounts and records of the licensee on a periodic basis.

[C75, 77, 79, 81, §536A.30]

89 Acts, ch 257, §30; 2002 Acts, ch 1119, §185; 2006 Acts, ch 1042, §47; 2012 Acts, ch 1023, §156

536A.31 Applicability of Iowa consumer credit code.

1. The provisions of the Iowa consumer credit code, chapter 537, shall apply to a consumer loan in which the licensee participates or engages, and any violation of the said code shall be a violation of this chapter.
2. Chapter 537, article 2, parts 3, 5, and 6, chapter 537, article 3, and sections 537.3203, 537.3206, 537.3209, 537.3210, 537.3304, 537.3305, and 537.3306 shall apply to any credit transaction, as defined in section 537.1301, in which a licensee participates or engages, and any violation of those parts or sections shall be violations of this chapter. For the purpose of applying the provisions of the Iowa consumer credit code, chapter 537, to those credit transactions, *"consumer loan"* shall include a loan for a business purpose.
3. Except as provided in this subsection, the provisions of the Iowa consumer credit code, chapter 537, apply to loans regulated by this chapter and supersede conflicting provisions of this chapter. Section 537.2402, subsection 1, does not apply to loans regulated by this chapter.

[C75, 77, 79, 81, §536A.31]

84 Acts, ch 1205, §3; 2003 Acts, ch 44, §114; 2010 Acts, ch 1028, §13; 2013 Acts, ch 30, §134

536A.32 Powers and duties of the superintendent — nationwide system.

In addition to any other duties imposed upon the superintendent by law, the superintendent may require applicants and licensees to be licensed through the nationwide mortgage licensing system and registry as defined in section 535D.3. In order to carry out this requirement, the superintendent may participate in the nationwide mortgage licensing system and registry. For this purpose, the superintendent may establish by rule or order new requirements as necessary, including but not limited to requirements that applicants, including officers and directors and those who have control of the applicant, submit to fingerprinting and criminal history checks, and pay fees therefor.

2009 Acts, ch 61, §46, 47

536A.33 and 536A.34 Repealed by 2007 Acts, ch 170, §8.