

524.901 Investments.

1. For purposes of [this section](#), unless the context otherwise requires:

a. “*Investment securities*” means marketable obligations in the form of bonds, notes, or debentures which have been publicly offered, are of sound value, or are secured so as to be readily marketable at a fair value, and are within the four highest grades according to a reputable rating service or represent unrated issues of equivalent value. “*Investment securities*” does not include investments which are predominately speculative in nature.

b. “*Shares*” means proprietary units of ownership of a corporation.

2. A state bank shall not invest for its own account more than fifteen percent of its aggregate capital in investment securities of any one obligor. The par value of the investment securities shall be used to determine the amount that may be invested under [this subsection](#), and any premium paid by a state bank for any investment securities shall not be included in determining the amount that may be invested under [this subsection](#).

3. Subject only to the exercise of prudent banking judgment, a state bank may invest for its own account without regard to the limitation provided in [subsection 2](#) in any of the following:

a. Investment securities of the United States of which the payment of principal and interest is fully and unconditionally guaranteed by the United States.

b. Investment securities issued, insured, or guaranteed by a department or an agency of the United States government, provided that the securities, insurance, or guarantee commits the full faith and credit of the United States for the repayment of the securities.

c. Investment securities of the federal national mortgage association or the association’s successor.

d. Investment securities of the federal home loan mortgage corporation or the corporation’s successor.

e. Investment securities of the student loan marketing association or the association’s successor.

f. Investment securities of a federal home loan bank.

g. Investment securities of a farm credit bank.

h. Investment securities representing general obligations of the state of Iowa or of political subdivisions of the state.

4. A state bank may invest without limit in the shares or units of investment companies or investment trusts registered under the federal Investment Company Act of 1940, 15 U.S.C. §80a-1 et seq., the portfolio of which is limited to United States investment securities described in [subsection 3](#) or repurchase agreements fully collateralized by United States investment securities described in [subsection 3](#), if delivery of the collateral is taken either directly or through an authorized custodian and the dollar-weighted average maturity of the portfolio is not more than five years. All other investments by a state bank in the shares or units of investment companies or investment trusts registered under the federal Investment Company Act of 1940, 15 U.S.C. §80a-1 et seq., whose portfolios exclusively contain investment securities permissible pursuant to [subsections 2 and 3](#), shall not exceed fifteen percent of the state bank’s aggregate capital.

5. To the extent necessary to meet minimum membership or participation criteria, a state bank may invest for its own account in the shares of the appropriate federal reserve bank, the appropriate federal home loan bank, the federal national agricultural mortgage corporation or corporations engaged solely in the pooling of agricultural loans for federal agricultural mortgage corporation guarantees, and other similar investments acceptable to the superintendent and approved in writing by the superintendent. The bank’s investment in the shares of each of the organizations is limited to fifteen percent of its aggregate capital or a higher amount as approved by the superintendent. Notwithstanding the specific requirements of [this section](#), any shares of government-sponsored entities held by a state bank on or before July 1, 1995, shall be authorized.

6. A state bank, upon the approval of the superintendent, may acquire and hold the shares of any corporation which a state bank is authorized to acquire and hold pursuant to [this chapter](#).

7. a. A state bank, upon the approval of the superintendent, may invest up to five percent of its aggregate capital in the shares or equity interests of any of the following:

(1) Economic development corporations organized under [chapter 496B](#) to the extent authorized by and subject to the limitations of that chapter.

(2) Public welfare investments to the same extent a national bank may invest in such corporations or projects pursuant to 12 U.S.C. §24 and its implementing regulations.

(3) Venture capital funds which invest an amount equal to at least fifty percent of a state bank's investment in small businesses having their principal offices within this state and having either more than one-half of their assets within this state or more than one-half of their employees employed within this state.

(4) Small businesses having a principal office within this state and having either more than one-half of their assets within this state or more than one-half of their employees employed within this state. An investment by a state bank in a small business under this subparagraph shall be included with the obligations of the small business to the state bank that are incurred as a result of the exercise by the state bank of the powers conferred in [section 524.902](#) for the purpose of determining the total obligations of the small business pursuant to [section 524.904](#). A state bank's equity interest investment in a small business, pursuant to this subparagraph, shall not exceed a twenty percent ownership interest in the small business.

(5) Other entities, acceptable to the superintendent, whose sole purpose is to promote economic or civic developments within a community or this state.

(6) Tax equity financing transactions in which a state bank provides equity financing to fund a project or projects that generate tax credits or other tax benefits and the equity-based structure of the transaction permits the transfer of such tax credits or other tax benefits to the state bank. A state bank may take a majority financial position in a project, but shall be a passive investor and shall not take a management position. The investment of state bank funds in a tax credit-generating project are subject to the following restrictions:

(a) The state bank shall not participate in the operation of any project or facility resulting from such a transaction or the sale of energy, if any, derived from the project.

(b) The state bank shall obtain a legal opinion or otherwise demonstrate a good-faith determination that the tax credits or other tax benefits are available before engaging in a tax equity financing transaction.

(c) The tax credits, tax benefits, or other payments the state bank receives from the transaction shall repay the state bank's investment and provide the expected rate of return at the time of the investment.

(d) Except as provided under subparagraph division (c), the state bank shall not share in any appreciation in value of its interests in the project or in any of the real or personal assets associated with the project.

b. A state bank's total investment in any combination of the shares or equity interests of the entities identified in paragraph "a", subparagraphs (1) through (6) shall be limited to twenty percent of its aggregate capital.

c. For purposes of [this subsection](#):

(1) The term "*equity interests*" means limited partnership interests and other equity interests in which liability is limited to the amount of the investment, but does not mean general partnership interests or other interests involving general liability.

(2) The term "*public welfare investment*" means an investment that primarily benefits low and moderate-income individuals, low and moderate-income areas, or other areas targeted by a governmental entity for redevelopment. "*Public welfare investment*" includes investments that primarily support any of the types of activities identified in [12 C.F.R. §24.6](#). "*Public welfare investment*" includes an investment that would receive consideration under [12 C.F.R. pt. 25](#) as a qualified investment. "*Public welfare investment*" includes an investment in any of the following areas:

(a) A targeted service area as defined in [section 8B.1, subsection 13](#).

(b) A small city as defined in [section 15.352, subsection 10](#).

(c) An area of the state that is not part of a federally designated standard metropolitan statistical area.

(3) The term "*small business*" means a corporation, partnership, proprietorship, or other

entity which meets the appropriate United States small business administration definition of small business and which is principally engaged in the development or exploitation of inventions, technological improvements, new processes, or other products not previously generally available in this state, or other investments which provide an economic benefit to the state.

(4) The term “*venture capital fund*” means a corporation, partnership, proprietorship, or other entity whose principal business is or will be the making of investments in, and the providing of significant managerial assistance to, small businesses.

8. A state bank, in the exercise of the powers granted in [this chapter](#), may purchase cash value life insurance contracts which may include provisions for the lump sum payment of premiums and which may include insurance against the loss of the lump sum payment. State banks may only purchase cash value life insurance contracts if the contract is tied to an employee benefit the state bank is obligated to pay. The cash value life insurance contracts, together with the investment in annuity contracts authorized in [subsection 9](#), purchased from any one company shall not exceed fifteen percent of aggregate capital of the state bank, and in the aggregate from all companies, together with the investment in annuity contracts authorized in [subsection 9](#), shall not exceed twenty-five percent of aggregate capital of the state bank unless the state bank has obtained the approval of the superintendent prior to the purchase of any cash value life insurance contract in excess of this limitation. Purchase and sale of such contracts shall be conducted in accordance with safe and sound banking practices.

9. A state bank, in the exercise of the powers granted in [this chapter](#), may purchase annuity contracts so long as the annuity contract is tied to an employee benefit the state bank is obligated to pay. The total investment in annuity contracts purchased from any one company, together with the cash value of life insurance contracts authorized in [subsection 8](#), shall not exceed fifteen percent of aggregate capital of the state bank, and in the aggregate from all companies, together with the cash value of life insurance contracts authorized in [subsection 8](#), shall not exceed twenty-five percent of aggregate capital of the state bank unless the state bank has obtained the approval of the superintendent prior to the purchase of any cash value life insurance contract in excess of this limitation. Purchase and sale of such contracts shall be conducted in accordance with safe and sound banking practices.

10. A state bank may invest without limitation for its own account in futures, forward, and standby contracts to purchase and sell any of the instruments a state bank is authorized to purchase and sell, subject to the prior approval of the superintendent and pursuant to applicable federal laws and regulations governing such contracts. Purchase and sale of such contracts shall be conducted in accordance with safe and sound banking practices and with the level of the activity being reasonably related to the state bank’s business needs and capacity to fulfill its obligations under the contracts.

11. A state bank, upon the approval of the superintendent, may invest in the shares or equity interests of any corporation or other entity which develops or utilizes new or innovative technologies that are or may be applicable to the provision of banking or other financial products or services, including the covered services identified in [section 524.218, subsection 2](#). A state bank’s total investment in any combination of shares or equity interests of the entities identified in this paragraph shall not exceed five percent of its aggregate capital.

[C97, §1844, 1850; S13, §1850; SS15, §1889-o; C24, 27, 31, 35, 39, §9162, 9183, 9269, 9271; C46, 50, 54, 58, 62, 66, §526.7, 526.25, 528.15, 528.67, 528.70; C71, 73, 75, 77, 79, 81, §524.901; 81 Acts, ch 173, §10; 82 Acts, ch 1017, §1, 2]

83 Acts, ch 124, §14, 15; 83 Acts, ch 152, §1; 85 Acts, ch 136, §3; 85 Acts, ch 252, §35; 87 Acts, ch 171, §15 – 19; 88 Acts, ch 1075, §1; 89 Acts, ch 49, §1; 89 Acts, ch 257, §10 – 15; 91 Acts, ch 220, §5, 6; 94 Acts, ch 1140, §1, 2; 95 Acts, ch 148, §88; 2010 Acts, ch 1028, §11; 2012 Acts, ch 1023, §135; 2014 Acts, ch 1092, §188; 2022 Acts, ch 1062, §80 – 84; 2023 Acts, ch 29, §4 – 6

Referred to in §12C.22, 524.802, 524.904, 524.907, 524.1002, 524.1602, 536A.25

Subsection 7, paragraph a, NEW subparagraph (6)

Subsection 7, paragraph b amended

Subsection 12 stricken