

CHAPTER 8
NOW ACCOUNTS

[Prior to 3/25/87, Auditor of State[130] Ch 8]

197—8.1(534) Definitions.

8.1(1) A negotiable order of withdrawal account (NOW) is a share (savings) account on which dividends (interest) are paid, from which the owner may make withdrawals by negotiable or transferable instruments for the purpose of making transfers to third parties. A NOW account must consist solely of funds in which the entire beneficial interest is held by one or more individuals or by an organization which is operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes and which is not operated for profit. Subject to restrictions contained in the Code of Iowa, a NOW account may also consist of deposits of public funds by an officer, employee or agent of the United States, and any county, municipality or political subdivision of the state of Iowa.

8.1(2) An association is the same as defined under Iowa Code section 534.102(2).

8.1(3) A share account is the same as defined in Iowa Code section 534.102(27).

8.1(4) A dividend is defined under Iowa Code section 534.102(6).

8.1(5) A commercial NOW account is the same as defined under Iowa Code section 534.209(6).

8.1(6) A demand account is a noninterest bearing savings account from which the owner may make withdrawals by negotiable or transferable instruments for the purpose of making transfers to third parties.

197—8.2(534) Authorization.

8.2(1) An association may offer NOW accounts under which the account owners may order or authorize the withdrawal of a specified amount of the account by means of cash or a negotiable or nonnegotiable check or similar instrument payable to the account owner or to the third parties or their order for the benefit of the account owner.

8.2(2) Pursuant to this authority a NOW account holder, by nontransferable order or authorization, may periodically or otherwise, authorize payment to third parties from accounts and purchase traveler's checks and money orders from an association.

8.2(3) An association may offer commercial NOW accounts pursuant to Iowa Code section 534.209.

8.2(4) An association may offer demand accounts to (a) those persons or organizations that have a business, corporate, commercial or agricultural loan relationship with the association, and (b) commercial, corporate, business or agricultural entities for the sole purpose of effectuating payments thereto by a nonbusiness customer. To satisfy the intent of Iowa Code section 534.209, the issuance of demand accounts by an association shall be subject to the conditions and limitations imposed upon federal associations for similar activity. Pursuant to Public Law No. 97-320 94 Stat. 1469, Section 312, and Federal Home Loan Bank Board Resolution Number 82-730, dated November 4, 1982, federal associations were authorized to offer demand accounts effective October 15, 1982.

197—8.3(534) General provisions.

8.3(1) An association may extend secured or unsecured credit in the form of overdraft privileges specifically related to NOW accounts. This rule also applies to officers, directors and employees of an association, when such loans are secured by savings accounts maintained by these affiliated persons at the association and the initial extension of overdraft credit plus future increases or decreases is approved by the association. In addition, an association may extend similar overdraft privileges specifically related to commercial NOW accounts and demand deposits, but these overdraft loans must be aggregated with other commercial loans for purposes of the maximum investment limitation in commercial loans. Overdraft loans must be made pursuant to proper underwriting and with due regard for safety and soundness.

8.3(2) Associations are not required to issue account books or certificates evidencing ownership of NOW accounts, commercial NOW accounts or demand accounts.

8.3(3) An association may distribute dividends on NOW accounts as provided by its articles of incorporation or by resolution of its board of directors, all subject to Iowa Code section 534.307(1). A “mutual deposit” association shall pay interest in lieu of dividends pursuant to 197—Chapter 4.

8.3(4) An association, by resolution of its board of directors, and not in conflict with its articles of incorporation or Iowa Code section 534.308 may determine not to distribute dividends (interest) on any NOW account with less than a specified minimum amount.

8.3(5) An association may charge a service fee for making any payment or transfer or for maintaining a NOW account, commercial NOW account or demand account under these rules.

8.3(6) A NOW account, commercial NOW account or demand account issued by an association shall be afforded all of the various rights and privileges for share accounts pursuant to Iowa Code chapter 534, including the same priority as other savings accounts upon liquidation and voting membership rights.

These rules are intended to implement Iowa Code sections 534.111 and 534.209.

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