

CHAPTER 13
LEASING OF PERSONAL PROPERTY
[Prior to 3/25/87, Auditor of State[130] Ch 13]

197—13.1(534) Authority. A savings and loan association may within the limitations of this rule:

1. Become the legal or beneficial owner and lessor of specific personal property or otherwise acquire such property at the request of a lessee who wishes to lease it from the association;
2. Become the owner and lessor of personal property by purchasing the property from another lessor in connection with its purchase of the related leases;
3. Incur obligations incidental to its position as the legal or beneficial owner and lessor of the leased property, if the lease is a net full-payout lease representing a noncancelable obligation of the lessee, notwithstanding the possible early termination of that lease. At the expiration of the lease all interest in the property shall be either liquidated or released on a net basis as soon as practicable.
4. A lease of personal property shall be treated as a commercial loan if a loan to the lessee to acquire the property would have been a commercial loan.
5. A lease to a natural person, which meets the definition of consumer lease contained in Iowa Code section 537.1301(13), is subject to that chapter of the Code.

197—13.2(534) Definitions.

“Full-payout lease” is one from which the lessor can reasonably expect to realize a return of its full investment in the leased property, plus the estimated cost of financing the property over the term of the lease. Recovery of investment by the lessor may be derived from:

1. Rentals;
2. Extended tax benefits;
3. The estimated residual value of the property at the expiration of the initial term of the lease.

The estimated residual value shall not exceed 25 percent of the acquisition cost of the property to the lessor unless it is guaranteed by the manufacturer, the lessee, or a third party not an affiliate of the association, and the association makes the determination that the guarantor has the resources to meet the guarantee. In all cases, however, both the estimated residual value of the property and that portion of the estimated residual value relied upon by the lessor to satisfy the requirements of a full-payout lease must be reasonable in light of the nature of the leased property and all relevant circumstances. Realization of the lessor’s full investment plus the cost of financing the property should primarily depend on the creditworthiness of lessee and any guarantor of the residual value, and not on the residual market value of the leased item.

“Lease” means a contract in the form of a lease or bailment for the use of personal property for a period of time exceeding four months, whether or not the lessee has the option to purchase or otherwise become the owner of the property at the expiration of the lease.

“Lessee” means the party who leases or is offered a lease.

“Lessor” means a person who is regularly engaged in leasing, offering to lease, or arranging to lease under a lease.

“Net lease” means a lease under which the association will not be, directly or indirectly, obligated to provide for:

1. The servicing, repair or maintenance of the leased property during the lease term;
2. The purchase of parts or accessories for the leased property: Provided, however, that improvements and additions may be leased to the lessee upon its request in accordance with the full payout requirements of subrule 13.2(6);
3. The loan or replacement of substitute property while the leased property is being serviced;
4. The purchasing of insurance for the lessee, except where the lessee has failed in its contractual obligation to purchase or maintain the required insurance;
5. The renewal of any license or registration for the property unless such action by the association is necessary to protect its interest as owner or financier of the property.

“*Personal property*” means any property which is not real property under the laws of Iowa at the time offered or otherwise made available for lease.

197—13.3(534) Salvage powers.

13.3(1) If in good faith an association believes that there has been an anticipated change in conditions which threatens its financial position by significantly increasing its exposure to loss, the provisions of rules 13.1(534) and 13.2(534) shall not prevent the association:

a. As the owner and lessor under a net, full-payout lease, from taking reasonable and appropriate action to salvage or protect the value of the property or its interest arising under the lease;

b. As the assignee of a lessor’s interest in a lease, from becoming the owner and lessor of the leased property pursuant to its contractual right, or from taking any reasonable or appropriate action to salvage or protect the value of the property or the association’s interest under the lease.

13.3(2) Additional terms. The provisions of rules 13.1(534) and 13.2(534) do not prohibit an association from including any provisions in the lease, or from making any additional agreements, to protect its financial position or investment in the circumstances set forth in subrule 13.3(1).

This rule is intended to implement Iowa Code section 534.103.

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