



THOMAS J. VILSACK
GOVERNOR

OFFICE OF THE GOVERNOR

March 29, 2006

SALLY J. PEDERSON
LT. GOVERNOR

The Honorable Chester Culver
Secretary of State
State Capitol Building
L O C A L

Dear Mr. Secretary:

I hereby transmit:

House File 2587, an Act relating to financial institutions including the regulation of state banks, bank holding companies, and industrial loan companies, and providing for penalties.

House File 2644, an Act relating to department of human services' technical requirements involving individual development accounts, family investment program limited benefit plans, paternity establishment definitions, and the state child care assistance program, and including effective date and retroactive applicability provisions

House File 2713, an Act changing the bid threshold requirement for certain public improvement contracts and providing for an effective date.

The above House Files are hereby approved this date.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Vilsack", written over a horizontal line.

Thomas J. Vilsack
Governor

TJV:jmc
cc: Secretary of the Senate
Chief Clerk of the House





HOUSE FILE 2587

AN ACT

RELATING TO FINANCIAL INSTITUTIONS INCLUDING THE REGULATION OF
STATE BANKS, BANK HOLDING COMPANIES, AND INDUSTRIAL LOAN
COMPANIES, AND PROVIDING FOR PENALTIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 12C.22, subsection 6, paragraph a, Code 2005, is amended to read as follows:

a. Investment securities and shares in which a bank is permitted to invest under section 524.901, subsections 1, 2, and 3, and 4.

Sec. 2. Section 524.217, subsection 2, Code 2005, is amended to read as follows:

2. The superintendent may furnish to the federal deposit insurance corporation, the federal reserve system, the office of the comptroller of the currency, the office of thrift supervision, national credit union administration, the federal home loan bank, the financial crimes enforcement network of the federal department of the treasury, the United States internal revenue service, and financial institution regulatory authorities of other states, or to any official or supervising examiner of such regulatory authorities, a copy of the report of any or all examinations made of any state bank and of any affiliate of a state bank.

Sec. 3. Section 524.220, subsection 1, Code 2005, is amended to read as follows:

1. A state bank shall render a full, clear, and accurate statement of its condition to the superintendent, 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 at least 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.

Sec. 4. Section 524.220, subsection 3, Code 2005, is amended by striking the subsection.

Sec. 5. Section 524.312, subsection 3, Code 2005, is amended to read as follows:

3. If a change in the location of the principal place of business of a state bank is proposed, application for approval of the superintendent shall be made as required by the superintendent pursuant to this section. A change in location of the principal place of business of a state bank, including a change from one municipal corporation to another municipal corporation within an urban complex, requires an amendment to the articles of incorporation pursuant to sections 524.1502, 524.1504, and 524.1506. A state bank seeking approval of a change of location pursuant to this subsection shall publish ~~once-each-week-for-two-consecutive-weeks~~ a notice of the proposed change of location in a newspaper of general circulation in the municipal corporation or unincorporated area in which the state bank has its principal place of business, or if there is none, in a newspaper of general circulation in the county, or in a county adjoining the county, in which the state bank has its principal place of business, and in the municipal corporation in which it seeks to establish its principal place of business, or if there is none, in a newspaper of general circulation in the county, or in a county adjoining the county, in which the municipal corporation is located. The ~~notices~~ notice shall be published within thirty days after the application to the superintendent for approval of the change in location is accepted for processing. The notice shall set forth the name of the state bank, the present location of its principal place of business, the location to which it proposes to move its principal place of business, and the date upon which the application was accepted for processing by the superintendent.

Sec. 6. Section 524.606, subsection 2, unnumbered paragraph 1, Code 2005, is amended to read as follows:

If, in the opinion of the superintendent, any director of a state bank or bank holding company has violated any law relating to such state bank or bank holding company or has engaged in unsafe or unsound practices in conducting the business of such state bank or bank holding company, the superintendent may cause notice to be served upon such director, to appear before the superintendent to show cause why the director should not be removed from office. A copy of such notice shall be sent to each director of the state bank or bank holding company affected, by registered or certified mail. If, after granting the accused director a reasonable opportunity to be heard, the superintendent finds that the director violated any law relating to such state bank or bank holding company or engaged in unsafe or unsound practices in conducting the business of such state bank or bank holding company, the superintendent, in the superintendent's discretion, may order that such director be removed from office, and that such director be prohibited from serving in any capacity in any other bank, bank holding company, bank affiliate, trust company, or an entity licensed under chapter 533A, 533C, 533D, 535B, 536, or 536A. A copy of the order shall be served upon such director and upon the state bank or bank holding company of which the person is a director at which time the person shall cease to be a director of the state bank or bank holding company. The resignation, termination of employment, or separation of such director, including a separation caused by the closing of the state bank or bank holding company at which the person serves as a director, does not affect the jurisdiction and authority of the superintendent to cause notice to be served and proceed under this subsection against the director, if the notice is served before the end of the six-year period beginning on the date the director ceases to be a director with the bank.

Sec. 7. Section 524.707, subsection 2, Code 2005, is amended to read as follows:

2. Section 524.606, subsection 2, which provides for the removal of directors by the superintendent, shall have equal application to officers and employees of a bank, bank holding company, bank affiliate, or trust company.

Sec. 8. Section 524.1201, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 4. A bank shall not operate a loan production office or deposit production office in this state unless either the bank has received approval from the superintendent or the bank operated the loan production office or deposit production office before July 1, 2006.

Sec. 9. Section 524.1601, Code 2005, is amended to read as follows:

524.1601 PENALTIES AND CRIMINAL PROVISIONS APPLICABLE TO DIRECTORS, OFFICERS, AND EMPLOYEES OF STATE BANKS AND BANK HOLDING COMPANIES.

1. A director, officer, or employee of a state bank or bank holding company who willfully violates any of the provisions of subsection 4 of section 524.612, section 524.613, subsection 2 of section 524.706, insofar as such subsection incorporates subsection 4 of section 524.612, or section 524.710, shall be guilty of a serious misdemeanor, plus, in the following circumstances, an additional fine or fines equal to:

a. The amount of money or the value of the property which the director, officer, or employee received for procuring, or attempting to procure, a loan, extension of credit, or investment by the state bank or bank holding company, upon conviction of a violation of subsection 1 of section 524.613, or of subsection 1 of section 524.710.

b. The amount by which the director's, officer's, or employee's deposit account in the state bank or bank holding company is overdrawn, upon conviction of a violation of subsection 2 of section 524.613, or of subsection 2 of section 524.710.

c. The amount of any profit which the director, officer, or employee receives on the transaction, upon conviction of a violation of subsection 4 of section 524.612, or of subsection 2 of section 524.706, insofar as each applies to purchases from and sales to a state bank or bank holding company upon terms more favorable to such director, ~~or~~ officer, or employee than those offered to other persons.

d. The amount of profit, fees or other compensation received, upon conviction of a violation of section 524.710, subsection 1, paragraph "b".

2. A director or officer who willfully makes or receives a loan in violation of subsection 1 of section 524.612, or subsection 1 of section 524.706, shall be guilty of a serious misdemeanor and shall be subject to an additional fine equal to that amount of the loan in excess of the limitation imposed by such subsections, and shall be forever disqualified from acting as a director or officer of any state bank or bank holding company. For the purpose of this subsection, amounts which are treated as obligations of an officer or director pursuant to subsection 5 of section 524.612, shall be considered in determining whether the loan or extension of credit is in violation of subsection 1 of section 524.612 and subsection 1 of section 524.706.

3. A director, officer, or employee of a state bank or bank holding company who willfully makes or receives a loan or extension of credit of funds held by the state bank or bank holding company as fiduciary, in violation of subsection 4 of section 524.1002, shall be guilty of a serious misdemeanor and shall be subject to a further fine equal to the amount of the loan or extension of credit made in violation of subsection 4 of section 524.1002, and shall be forever disqualified from acting as a director, officer, or employee of any state bank or bank holding company.

4. A director, officer, or employee of a state bank or bank holding company who willfully violates, or participates in the violation of, section 524.814, or section 524.819, shall be guilty of a serious misdemeanor.

Sec. 10. Section 524.1602, unnumbered paragraph 1, Code 2005, is amended to read as follows:

The superintendent may impose a penalty on a state bank of up to one ~~hundred~~ thousand dollars for each day:

Sec. 11. Section 524.1603, subsection 2, Code 2005, is amended to read as follows:

2. The superintendent may impose a penalty on a state bank of up to one ~~hundred~~ thousand dollars for each day that it violates the provisions of section 524.1201.

Sec. 12. Section 536A.2, Code 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 1A. "Affiliate" means the same as defined in 12 U.S.C. § 1841(k).

NEW SUBSECTION. 1B. "Commercial activities" means activities in which an industrial loan company is not specifically authorized to engage under the provisions of this chapter.

NEW SUBSECTION. 1C. "Control" means the same as provided in 12 U.S.C. § 1841(a)(2).

Sec. 13. Section 536A.4, Code 2005, is amended to read as follows:

536A.4 LIMITATIONS.

No 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.

Sec. 14. Section 536A.5, subsection 6, Code 2005, is amended by striking the subsection.

Sec. 15. Section 536A.12, subsection 3, paragraph a, Code 2005, is amended to read as follows:

a. For purposes of this section, ~~"control" means control as defined in section 524.103. -- However,~~ 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 such shares.

Sec. 16. Section 536A.21, Code 2005, is amended to read as follows:

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, or place of business ~~in which any other business is engaged in or conducted, unless specifically authorized to do so in writing by the superintendent upon the superintendent's finding that the character of the other business is such that~~

~~its operation by the licensee would not facilitate evasions of this chapter or any other statute of the state of Iowa relating to the making of loans,~~ 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.

Sec. 17. Section 536A.22, unnumbered paragraph 3, Code 2005, is amended by striking the unnumbered paragraph.

Sec. 18. Section 536A.23, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 6. Engage in commercial activities or have an affiliate that engages in commercial activities. This subsection 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.

Sec. 19. NEW SECTION. 536A.32 ACQUISITIONS.

Neither an out-of-state bank nor an out-of-state bank holding company shall directly or indirectly acquire control of, or directly or indirectly acquire all or substantially all of the assets of, an industrial loan company located in this state, unless the industrial loan company has been in continuous existence and operation for at least five years.

Sec. 20. NEW SECTION. 536A.33 ACQUISITIONS AND BRANCHES BY OUT-OF-STATE COMPANIES.

An out-of-state industrial loan company, industrial bank, or similar institution as provided in 12 U.S.C. § 1841(c)(2)(H), shall not do any of the following:

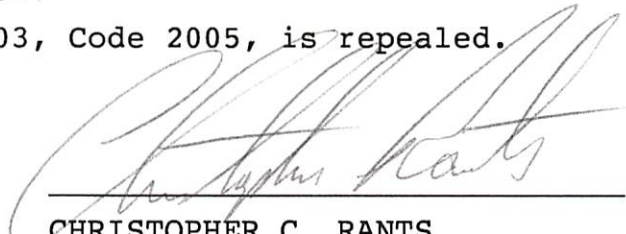
1. Establish or operate a branch in this state.
2. Directly or indirectly acquire control of an industrial loan company located in this state.

3. Directly or indirectly acquire all or substantially all of the assets of an industrial loan company in this state.

Sec. 21. NEW SECTION. 536A.34 ACTIVITIES OF BRANCHES OF OUT-OF-STATE COMPANIES.

A branch of an out-of-state industrial loan company, industrial bank, or similar institution as provided in 12 U.S.C. § 1841(c)(2)(H), shall not engage in any activity in this state in which an industrial loan company is not specifically permitted to engage under the provisions of this chapter, and shall not conduct operations at any location where an industrial loan company is not permitted to conduct operations under this chapter.

Sec. 22. Section 524.1803, Code 2005, is repealed.



CHRISTOPHER C. RANTS
Speaker of the House



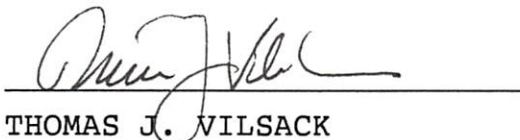
JOHN P. KIBBIE
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2587, Eighty-first General Assembly.



MARGARET THOMSON
Chief Clerk of the House

Approved March 29, 2006



THOMAS J. VILSACK
Governor