

February 11, 1963.

Place on Calendar.

House File 219

By COMMITTEE ON BANKS, BUILDING  
AND LOAN.

Passed House, Date 2-15-63

Passed Senate, Date 2-26-63

Vote: Ayes 88 Nays 0

Vote: Ayes 46 Nays 1

Approved 3-4-63

*Substituted for  
S. F. 204 2/26*

## A BILL FOR

An Act relating to loans by savings and state banks secured  
by direct obligations of the United States.

*Be It Enacted by the General Assembly of the State of Iowa:*

1 Section 1. Section five hundred twenty-eight point fourteen  
2 (528.14), Code 1962, is hereby amended by adding thereto the  
3 following:  
4 "Obligations of any person, copartnership, association, or  
5 corporation to any state bank or savings bank when secured by  
6 bonds, notes, certificates of indebtedness, treasury bills or  
7 other direct obligations of the United States or obligations  
8 fully guaranteed both as to principal and interest by the United  
9 States having a market value at that time of not less than the  
10 amount loaned shall be subject under this section to a limitation  
11 of twenty-five per cent (25%) of the capital and surplus of the  
12 bank except as may be otherwise permitted by the superintendent  
13 of banking with the approval of the state banking board, provided  
14 that the portion of any loan above twenty-five per cent (25%) of  
15 said capital and surplus is secured by direct obligations of the  
16 United States which will mature in not exceeding eighteen (18)  
17 months and, further, that the aggregate amount of a loan to any  
18 one borrower shall not exceed twenty per cent (20%) of the total  
19 resources of such bank."

EXPLANATION OF HOUSE FILE 219

This bill would permit Iowa banks to loan an amount not in excess of 25 per cent of their capital and surplus to a borrower if the loan is fully secured by direct obligations of the United States at the time the loan is made. This loan amount may be exceeded with permission of the superintendent of banking and the state banking board. National banks have similar authority. 12 U.S.C.A. 84 (8). By current regulations, national banks may make such loans without limitation so long as the collateral over 25 per cent is in short term governments (18 months or less).

This bill is designed to make it possible for state banks to make such secured loans in the same manner as national banks. With respect to this bill the superintendent of banking states, "We believe any bank should be permitted to loan on government guaranteed obligations so long as collateral at all times has a market value equal to the loan. This provision in the law would, at present, be used almost exclusively by larger banks who, as Federal Reserve members, have excess reserves which they should be able to loan on such collateral. Such legislation would permit our state banks to compete with national banks in this respect." This bill is recommended by the Iowa Bankers Association.