

Law. Commerce 3/5, Pass 3/16
House File 1367
Commerce
Bergman, Chairperson
Glenn
Briles

FEB 19 1976

Place On Calendar

HOUSE FILE 1367

By COMMITTEE ON COMMERCE

Passed House, Date 3-2-76 (799) Passed Senate, Date 3-19-76 (970)

Vote: Ayes 90 Nays 1 Vote: Ayes 43 Nays 0

Approved April 2, 1976

A BILL FOR

1 An Act relating to loans by a state bank to its officers.

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

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1 Section 1. Section five hundred twenty-four point seven
2 hundred six (524.706), subsection one (1), Code 1975, is
3 amended to read as follows:

4 1. a. An executive officer of a state bank may receive
5 loans or extensions of credit from a state bank of which he
6 is an executive officer, resulting in obligations as defined
7 in subsection 1 of section 524.904, not exceeding ~~thirty~~
8 thousand-dollars, in the aggregate:

9 (1) Such amount as the bank is permitted to lend pursuant
10 to subsection two (2) of section five hundred twenty-four
11 point nine hundred five (524.905), if, at the time such obliga-
12 tion is incurred, it is secured by a first lien on a dwelling
13 which is expected, after the obligation is incurred, to be
14 owned by the executive officer and used by him as his
15 residence, and-such provided that at the time the loan is
16 made there is no other loan by the bank to the executive
17 officer, under authority of this subparagraph, outstanding;
18 and

19 (2) An amount not exceeding an aggregate of ten thousand
20 dollars outstanding at any one time, to finance the educa-
21 tion of a child or children of the executive officer; and

22 (3) Any other loans or extensions of credit which in aggre-
23 gate do not at any one time exceed five thousand dollars
24 provided, however, a.

25 b. A state bank shall not loan money or extend credit
26 to an executive officer of such state bank, nor shall an
27 executive officer of a state bank receive a loan or extension
28 of credit from such state bank, exceeding the limitations
29 imposed by this section or for a purpose other than that
30 authorized by this section, and, provided further, such.
31 Such loans or extensions of credit shall not exceed an amount
32 totaling more than twenty percent of the capital and surplus
33 of the state bank and any such loan on real property shall
34 comply with section 524.905. A majority of the board of
35 directors, voting in the absence of the applying officer,

1 whether or not he is also a director, shall give its prior
2 approval to any obligation of an executive officer to the
3 state bank of which he is an executive officer. The form
4 of approval shall be specified by the superintendent, and
5 a copy recorded in the minutes of the board of directors.

6 Sec. 2. Section five hundred twenty-four point seven hun-
7 dred six (524.706), subsection one (1), Code 1975, is amended
8 by adding the following new paragraph:

9 NEW PARAGRAPH. For the purposes of this subsection, the
10 term "executive officer" means every officer of a state bank
11 who participates or has authority to participate, otherwise
12 than in the capacity of a director, in major policymaking
13 functions of the bank, regardless of whether he has an of-
14 ficial title or whether his title contains a designation of
15 assistant and regardless of whether he is serving without
16 salary or other compensation. The chairman of the board,
17 the president, every vice president, the cashier, secretary,
18 and treasurer of a state bank are assumed to be executive
19 officers, unless, by resolution of the board of directors
20 or by the bank's bylaws, but subject to contrary notice by
21 the superintendent as provided for in section seven hundred
22 four (704) of this chapter, any such officer is excluded from
23 participation in major policymaking functions, otherwise than
24 in the capacity of a director of the bank, and he does not
25 actually participate therein.

26 EXPLANATION

27 This bill modifies present Code limitations respecting
28 loans by a bank to its officers. The bill makes the
29 limitations applicable only to "executive officers" as defined
30 in the bill, as opposed to "officers" in general and which
31 term is not defined in present law.

32 The bill also strikes the present \$30,000 limit on home
33 purchase loans, thereby allowing banks to lend to executive
34 officers the same amount on a home purchase loan which other
35 borrowers could receive.

1 The bill adds authority for banks to lend to an executive
2 officer not more than \$10,000 for the purpose of the educa-
3 tion of one or more of the officers children.

4 The bill retains the authority for a bank to lend to an
5 executive officer not more than an aggregate of \$5,000 for
6 all other outstanding loans or credit.

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H-5397

1 Amend House File 1367 as follows:

2 1. Page 2, by inserting after line 25 the following:

3 "Sec. ____ . Section five hundred twenty-four point
4 one thousand two hundred two (524.1202), subsection
5 one (1), Code 1975, is amended to read as follows:
6 1. Except as otherwise provided in subsection
7 2 of this section, no state bank shall establish a
8 bank office outside the corporate limits of a municipal
9 corporation or in a municipal corporation or-un-
10 incorporated-area in which there is already an
11 established state or national bank or office, however
12 the subsequent chartering and establishment of any
13 state or national bank, through the opening of its
14 principal place of business within the municipal
15 corporation where the bank office is located, shall
16 not affect the right of the bank office to continue
17 in operation in that municipal corporation. The
18 existence and continuing operation of a bank office
19 shall not be affected by the subsequent discontinuance
20 of a municipal corporation pursuant to the provisions
21 of sections three hundred sixty-eight point eleven
22 (368.11) to three hundred sixty-eight point twenty-
23 two (368.22), inclusive, of the Code. A bank office
24 existing and operating on the effective date of this
25 Act, which is not located within the confines of a
26 municipal corporation, shall be allowed to continue
27 its existence and operation without regard to this
28 subsection.

29 Sec. ____ . Section five hundred twenty-four point
30 one thousand two hundred two (524.1202), subsection
31 two (2), Code 1975, is amended to read as follows:

32 ~~2. A state bank located in a municipal corporation~~
33 ~~may establish not more than two bank offices within~~
34 ~~the boundaries of the municipal corporation, each~~
35 ~~of which shall have adequate off-street parking as~~
36 ~~determined by the superintendent, and may also have~~
37 ~~facilities to serve pedestrian customers. A state~~
38 ~~bank located in a municipal corporation, or in an~~
39 ~~urban complex composed of two or more Iowa municipal~~
40 ~~corporations each of which is contiguous to or corners~~
41 ~~upon at least one of the other municipal corporations~~
42 ~~within the complex, having a population of over fifty~~
43 ~~less than two hundred thousand according to the most~~
44 ~~recent federal census may establish two such offices~~
45 ~~within the boundaries of the municipal corporation~~
46 ~~or urban complex, if the municipal corporation or~~
47 ~~urban complex has a population of over one hundred~~
48 ~~thousand but not over two hundred thousand, the state~~
49 ~~bank may establish three such offices within the~~
50 ~~boundaries of the municipal corporation or urban~~

1 ~~complex~~, if not more than three bank offices within
2 the boundaries of the municipal corporation or urban
3 complex, each of which shall have adequate off-street
4 parking as determined by the superintendent, and may
5 also have facilities to serve pedestrian customers.
6 If the municipal corporation or urban complex has
7 a population of over two hundred thousand, the state
8 bank may establish four such offices within the
9 boundaries of the municipal corporation or urban
10 complex. Such a facility located in the proximity
11 of a state bank's principal place of business may
12 be found by the superintendent to be an integral part
13 of the principal place of business, and not a bank
14 office within the meaning of this section."

15 2. Amend the title, line 1, by striking the words
16 "to its officers" and inserting in lieu thereof the
17 words "and its bank offices to officers of the bank
18 or its bank offices".

19 3. By renumbering sections as necessary.

H-5397 FILED, RULED NOT BY SCHROEDER of Pottawattamie
GERMANE, MOVED TO SUSPEND WALTER of Pottawattamie
RULES TO CONSIDER, LOST (189) TAUKE of Dubuque
MARCH 2, 1976

HOUSE FILE 1367

House File 1367, P. 2

AN ACT

RELATING TO LOANS BY A STATE BANK TO ITS OFFICERS.

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

Section 1. Section five hundred twenty-four point seven hundred six (524.706), subsection one (1), Code 1975, is amended to read as follows:

1. a. An executive officer of a state bank may receive loans or extensions of credit from a state bank of which he is an executive officer, resulting in obligations as defined in subsection 1 of section 524.904, not exceeding thirty thousand dollars, in the aggregate:

(1) Such amount as the bank is permitted to lend pursuant to subsection two (2) of section five hundred twenty-four point nine hundred five (524.905) of the Code, if, at the time such obligation is incurred, it is secured by a first lien on a dwelling which is expected, after the obligation is incurred, to be owned by the executive officer and used by him as his residence, and such provided that at the time the loan is made there is no other loan by the bank to the executive officer, under authority of this subparagraph, outstanding; and

(2) An amount not exceeding an aggregate of ten thousand dollars outstanding at any one time, to finance the education of a child or children of the executive officer; and

(3) Any other loans or extensions of credit which in aggregate do not at any one time exceed five thousand dollars provided, however, a.

b. A state bank shall not loan money or extend credit to an executive officer of such state bank, nor shall an executive officer of a state bank receive a loan or extension of credit from such state bank, exceeding the limitations

imposed by this section or for a purpose other than that authorized by this section ~~and provided further such~~. Such loans or extensions of credit shall not exceed an amount totaling more than twenty percent of the capital and surplus of the state bank and any such loan on real property shall comply with section 524.905. A majority of the board of directors, voting in the absence of the applying officer, whether or not he is also a director, shall give its prior approval to any obligation of an executive officer to the state bank of which he is an executive officer. The form of approval shall be specified by the superintendent, and a copy recorded in the minutes of the board of directors.

Sec. 2. Section five hundred twenty-four point seven hundred six (524.706), subsection one (1), Code 1975, is amended by adding the following new paragraph:

NEW PARAGRAPH. For the purposes of this subsection, the term "executive officer" means every officer of a state bank who participates or has authority to participate, otherwise than in the capacity of a director, in major policymaking functions of the bank, regardless of whether he has an official title or whether his title contains a designation of assistant and regardless of whether he is serving without salary or other compensation. The chairman of the board, the president, every vice president, the cashier, secretary, and treasurer of a state bank are assumed to be executive officers, unless, by resolution of the board of directors or by the bank's bylaws, but subject to contrary notice by the superintendent as provided for in section seven hundred four (704) of this chapter, any such officer is excluded from

participation in major policymaking functions, otherwise than in the capacity of a director of the bank, and he does not actually participate therein.

DALE M. COCHRAN
Speaker of the House

ARTHUR A. NEU
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 1367, Sixty-sixth General Assembly.

DAVID L. WRAY
Chief Clerk of the House

Approved April 2, 1976

ROBERT D. RAY
Governor