

Senate File 39
Commerce
Rabedeaux,
Chairman
Carr
Rodgers

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Hennessey, Chairman
Evans
Jordan

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SENATE FILE 39

By ROBINSON and CURTIS

Passed Senate, Date 2-17-75 (p. 281) Passed House, Date 3-25-75 (733)
Vote: Ayes 49 Nays 0 Vote: Ayes 91 Nays 0
Approved 4-8-75

A BILL FOR

1 An Act relating to the organization, powers and duties of
2 credit unions.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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1 Section 1. Section five hundred thirty-three point one
2 (533.1), subsection one (1), paragraph c, Code 1975, is amended
3 to read as follows:

4 c. The par value of the shares of the credit union which
5 shall ~~be five dollars each~~ not exceed twenty-five dollars
6 each and shall be established by the board of directors.
7 A credit union may have more than one class of shares.

8 Sec. 2. Section five hundred thirty-three point two
9 (533.2), Code 1975, is amended to read as follows:

10 533.2 AMENDMENTS. The articles of incorporation or the
11 bylaws may be amended by a favorable vote of ~~three-fourths~~
12 a majority of the members present at any meeting, which number
13 must constitute a quorum provided the proposed amendment
14 was contained in the notice of the meeting. Any and all such
15 amendments must be approved by the superintendent of banking
16 before they become effective.

17 Sec. 3. Section five hundred thirty-three point four
18 (533.4), Code 1975, is amended by striking paragraphs g and
19 h of subsection five (5) and inserting in lieu thereof the
20 following:

21 g. Capital shares, obligations, or preferred stock issues
22 of an agency or association organized either as a stock com-
23 pany, mutual association, or membership corporation, if the
24 membership or stockholdings, as the case may be, of the agency
25 or association are primarily confined or restricted to credit
26 unions or organizations of credit unions, and if the purposes
27 for which the agency or association is organized are primarily
28 designed to provide services to credit unions. However, the
29 aggregate amount invested pursuant to this subsection shall
30 not exceed twenty percent of the unimpaired legal reserve
31 account of the credit union.

32 Sec. 4. Section five hundred thirty-three point four
33 (533.4), Code 1975, is amended by adding the following new
34 subsections:

35 NEW SUBSECTION. Upon the approval of the superintendent

1 of banking, serve an employee group having an insufficient
2 number of members to form or conduct the affairs of a separate
3 credit union.

4 NEW SUBSECTION. Deposit with a credit union which has
5 been in existence for not more than a year an amount not to
6 exceed twenty-five percent of the assets of the new credit
7 union, but only one credit union may at any time make the
8 deposit.

9 NEW SUBSECTION. Acquire the conditional sales contracts,
10 promissory notes or other similar instruments executed by
11 its members, but the rate of interest existing on the instru-
12 ment shall not exceed the highest rate charged by the acquiring
13 credit union on its outstanding loans.

14 NEW SUBSECTION. Discount and sell obligations which are
15 due for agricultural loans, student loans, home improvement
16 loans, and consumer loans, without recourse.

17 Sec. 5. Section five hundred thirty-three point five
18 (533.5), Code 1975, is amended to read as follows:

19 533.5 MEMBERSHIP. Credit union membership shall consist
20 of the incorporators and such other persons as may be elected
21 to membership and subscribe for at least one share, pay the
22 installment thereon and the entrance fee, if any. Organi-
23 zations, incorporated or otherwise, composed for the most
24 part of the same general group as the credit union membership
25 may be members. Credit union organization shall be limited
26 to groups having a common bond of occupation or association
27 or to groups within a well-defined neighborhood, community,
28 or rural district. If adopted as a policy by the board of
29 directors of a credit union, members who are no longer included
30 in the common bond of association may retain their credit
31 union membership and all membership privileges.

32 Sec. 6. Section five hundred thirty-three point six
33 (533.6), subsection two (2), Code 1975, is amended by adding
34 the following new unnumbered paragraph:

35 NEW UNNUMBERED PARAGRAPH. The superintendent of banking

1 may accept, in lieu of the annual examination of a credit
2 union, an audit report conducted by a certified public account-
3 ing firm selected from a list of firms previously approved
4 by the superintendent of banking. The cost of the audit shall
5 be paid by the credit union.

6 Sec. 7. Section five hundred thirty-three point nine
7 (533.9), unnumbered paragraph one (1), Code 1975, is amended
8 to read as follows:

9 Within five days following the organization meeting and
10 each annual meeting the directors shall elect from their own
11 number a ~~president, vice-president, treasurer and secretary~~
12 chairman of the board, vice chairman, president and secretary,
13 of whom the last two may be the same individual, and also
14 a credit committee of not less than three members and an
15 auditing committee of not less than three members, and may
16 also elect alternate members of the credit committee. It
17 shall be the duty of the directors to have general management
18 of the affairs of the credit union, particularly to:

19 Sec. 8. Section five hundred thirty-three point nine
20 (533.9), unnumbered paragraph two (2), Code 1975, is amended
21 to read as follows:

22 The duties of the officers shall be determined in the
23 bylaws, except that the ~~treasurer~~ president shall be the
24 general manager. No member of the board or of either committee
25 shall, as such, be compensated.

26 Sec. 9. Section five hundred thirty-three point ten
27 (533.10), Code 1975, is amended to read as follows:

28 533.10 CREDIT COMMITTEE. The credit committee shall have
29 the general supervision of all loans to members. Applications
30 for loans shall be on a form, prepared by the credit committee,
31 and all applications shall set forth the purpose for which
32 the loan is desired, the security, if any, offered, and such
33 other data as may be required. Within the meaning of this
34 section an assignment of shares or deposits or the endorsement
35 of a note may be deemed security. At least a majority of

1 the members of the credit committee shall pass on all loans
 2 and may grant approval thereof, provided, however, that the
 3 credit committee of a credit union, with the approval of the
 4 board of directors, may appoint one or more loan officers,
 5 who may be the ~~treasurer-or-assistant-treasurer~~ president
 6 or vice president, and delegate to him or them, subject to
 7 conditions and regulations of the credit committee, power
 8 to approve or reject loans ~~up-to-the-maximum-which-can-be~~
 9 ~~made-without-security,-or-in-excess-of-such-limit-if-such~~
 10 ~~excess-is-fully-secured-by-shares.~~ Each loan officer shall
 11 ~~furnish-to-the-credit-committee-a-record-of-each-loan-approved~~
 12 ~~or-not-approved-by-him-within-seven-days-of-the-date-of-the~~
 13 ~~filing-of-the-application-therefor.--All-loans-not-approved~~
 14 ~~by-a-loan-officer-shall-be-acted-upon-by-the-credit-committee.~~
 15 The credit committee shall meet as often as may be necessary
 16 after due notice to each member.

17 Sec. 10. Section five hundred thirty-three point sixteen
 18 (533.16), unnumbered paragraph one (1), Code 1975, is amended
 19 to read as follows:

20 A credit union may loan to members. Loans must be for
 21 a provident or productive purpose and are made subject to
 22 the conditions contained in the bylaws. A borrower may repay
 23 his loan in whole or in part any day the office of the credit
 24 union is open for business. ~~No-director,-officer,-or-member~~
 25 ~~of-committee-may-borrow-from-the-credit-union-in-which-he~~
 26 ~~holds-office-beyond-the-amount-of-his-holdings-in-it-in-shares~~
 27 ~~and-deposits,-nor-may-he-endorse-for-borrowers.~~ A director
 28 of a credit union may borrow from that credit union under
 29 the provisions of this chapter, but the loan shall not be
 30 made on terms more favorable than those extended to other
 31 members and shall be made only after the approval by the board
 32 of directors at a regular or special meeting. The director
 33 making application for the loan shall not be in attendance
 34 at the time the board of directors considers his application
 35 and shall not take part in the consideration. The loan shall

1 be made only if the director has submitted a detailed current
2 financial statement. The aggregate amount of director loans
3 shall not exceed twenty percent of the assets of the credit
4 union. Loans secured by a mortgage or deed of trust upon
5 real property may be made only on unencumbered property located
6 in Iowa and in bordering counties of adjacent states and every
7 such loan shall comply with one of the following conditions:

8 Sec. 11. Section five hundred thirty-three point sixteen
9 (533.16), unnumbered paragraph two (2), Code 1975, is amended
10 to read as follows:

11 The foregoing restrictions or limitations shall not prevent
12 the renewal or extension of loans and shall not apply to loans
13 which are secured under the provisions of the national housing
14 Act, as amended. The board of directors of a credit union
15 possessing assets of at least five hundred thousand dollars
16 may set maturity schedules for real property loans not to
17 exceed twenty-five years. The value of the property given
18 as security must be determined by an independent appraiser
19 and the maximum loan must not exceed ninety percent of the
20 appraised value. However, the maximum real property loan
21 balances of this type in the credit union shall not exceed
22 fifteen percent of the aggregate total of the member share
23 and deposit accounts.

24 Sec. 12. Section five hundred thirty-three point seventeen
25 (533.17), Code 1975, is amended by striking the section and
26 inserting in lieu thereof the following:

27 533.17 RESERVES.

28 1. A portion of the gross earnings, as determined before
29 payment of each dividend, shall be set aside as a legal reserve
30 as follows:

31 a. Ten percent of gross income until the legal reserve
32 equals seven and one-half percent of the total of outstanding
33 loans and risk assets; then

34 b. Five percent of gross income until the legal reserve
35 equals ten percent of the total of outstanding loans and risk

1 assets.

2 Whenever the legal reserve falls below ten percent or seven
3 and one-half percent of the total of outstanding loans and
4 risk assets, as the case may be, the difference shall be
5 replaced by regular contributions in order to maintain the
6 seven and one-half percent or ten percent reserve. Any
7 entrance fees, charges and transfer fees shall, after payment
8 of organization expenses, be added to the legal reserve.
9 The legal reserve shall belong to the credit union and shall
10 be used to meet losses except those resulting from an excess
11 of expenses over income. The reserve shall not be distributed
12 except on liquidation of the credit union or in accordance
13 with a plan approved by the superintendent of banking.

14 2. For the purpose of establishing legal reserves, the
15 following shall not be considered risk assets:

16 a. Cash on hand.

17 b. Deposits and shares in federal or state banks, savings
18 and loan associations, and credit unions.

19 c. Assets which are insured by, fully guaranteed as to
20 principal and interest by, or due from the United States
21 government.

22 d. Loans to other credit unions.

23 e. Student loans insured under the provisions of Title
24 twenty (XX), United States Code, section one thousand seventy-
25 one (1071) through section one thousand eighty-seven (1087)
26 or similar state programs.

27 f. Loans insured by the federal housing administration
28 under Title twelve (XII), United States Code, section one
29 thousand seven hundred three (1703).

30 g. Common trust investments which deal in investments
31 authorized in section five hundred thirty-three point four
32 (533.4) of the Code.

33 h. Prepaid expenses.

34 i. Accrued interest on nonrisk investments.

35 j. Furniture and equipment.

1 k. Land and buildings.

2 3. The superintendent of banking may require a credit
3 union to set aside additional amounts as a special reserve
4 if an examination of its assets should disclose that its legal
5 reserve is inadequate. |

6 Sec. 13. Section five hundred thirty-three point eighteen
7 (533.18), Code 1975, is amended by striking the section and
8 inserting in lieu thereof the following:

9 533.18 DIVIDENDS.

10 1. At such intervals and for such periods as the board
11 of directors may authorize, and after transfers to the required
12 reserves, the board of directors may declare dividends at
13 such rates and upon such classes of shares as are determined
14 by the board. Such dividends shall be paid on all paid-up
15 shares outstanding at the close of the period for which the
16 dividend is declared. |

17 2. Shares which become fully paid up during such dividend
18 period and are outstanding at the close of the period shall
19 be entitled to a proportional share of such dividend.

20 3. Dividend credit for a month may be accrued on shares
21 which are or become fully paid up during the first fifteen
22 days of that month.

23 Sec. 14. Section five hundred thirty-three point nineteen
24 (533.19), Code 1975, is amended to read as follows:

25 533.19 EXPULSION--WITHDRAWAL. A member may be expelled
26 by a ~~two-thirds~~ majority vote of the ~~members-present-at-a~~
27 ~~special-meeting-called-to-consider-the-matter-but-only-after~~
28 ~~a-hearing~~ board of directors at a regular or special meeting
29 of the board. The expelled member may request a hearing
30 before the membership of the credit union. A meeting of the
31 membership shall be held within sixty days of the member's
32 request. The membership may, by majority vote at the
33 membership meeting, reinstate the expelled member upon terms
34 and conditions prescribed by it. Any member may withdraw
35 from the credit union at any time but notice of withdrawal

1 may be required. All amounts paid on shares or as deposits
2 of an expelled or withdrawing member, with any dividends or
3 interest accredited thereto, to the date thereof, shall, as
4 funds become available and after deducting all amounts due
5 from the member to the credit union, be paid to him. The
6 credit union may require sixty days' notice of intention to
7 withdraw shares and thirty days' notice of intention to
8 withdraw deposits. Withdrawing or expelled members shall
9 have no further rights in the credit union but are not, by
10 such expulsion or withdrawal, released from any remaining
11 liability to the credit union.

12 Sec. 15. Section five hundred thirty-three point thirty
13 (533.30), Code 1975, is amended by striking the section and
14 inserting in lieu thereof the following:

15 533.30 MERGER.

16 1. A credit union may, with the approval of the superin-
17 tendent of banking, merge with another credit union under
18 the existing organization of the other credit union pursuant
19 to a plan agreed upon by the majority of the board of directors
20 of each credit union joining in the merger and approved by
21 the affirmative vote of a majority of the members of the
22 merging credit unions.

23 2. After agreement by the directors and approval by the
24 members of the merging credit unions, the chairman of the
25 board and secretary of the credit unions shall execute a
26 certificate of merger, which shall state:

27 a. The time and place of the meeting of the board of
28 directors at which the plan was agreed upon.

29 b. The vote in favor of the plan adopted by the boards
30 of the respective credit unions.

31 c. A copy of the resolution or other action by which the
32 plan was agreed upon.

33 d. The vote by which the plan was approved by the members.

34 3. The certificate and a copy of the plan of merger agreed
35 upon shall be forwarded to the superintendent of banking,

1 certified by him, and returned to both credit unions within
2 thirty days.

3 4. Upon return of the certificate from the superintendent
4 of banking, all property, property rights, and members' inter-
5 est of the merged credit union shall vest in the surviving
6 credit union without deed, endorsement or other instrument
7 of transfer, and all debts, obligations and liabilities of
8 the merged credit union are assumed by the surviving credit
9 union under whose charter the merger was effected. The rights
10 and privileges of the members of the merged credit union shall
11 remain intact. Credit union membership in the surviving
12 credit union shall be available to persons within the field
13 of membership of the merged credit union.

14 5. This section shall be construed to permit a credit
15 union organized under any other statute to merge with one
16 organized under this chapter, or to permit one organized under
17 this chapter to merge with one organized under any other
18 statute.

19 Sec. 16. Chapter five hundred thirty-three (533), Code
20 1975, is amended by adding the following new section:

21 NEW SECTION. CORPORATE CENTRAL CREDIT UNION. A credit
22 union, in which all credit unions, the credit union league,
23 and its affiliates in the state of Iowa are eligible for
24 membership, may be established in this state and shall be
25 known as a corporate central credit union. A corporate cen-
26 tral credit union shall have all the powers, rights, restric-
27 tions and obligations imposed upon or granted credit unions
28 established under the provisions of this chapter, except:

29 1. It shall not be required to transfer to the legal
30 reserve of the corporation more than five percent of the cor-
31 poration's net income for the year.

32 2. It may buy or sell investment securities and corporate
33 bonds which are evidences of indebtedness. However, the
34 buying and selling of such investment securities and corporate
35 bonds shall be limited to buying and selling without recourse

1 to marketable obligations evidencing indebtedness of any
 2 corporation or state or federal agency, under further
 3 definitions of the term "investment securities" as prescribed
 4 by the superintendent. The total amount of the investment
 5 securities of any one obligor or maker held by the credit
 6 union shall at no time exceed five percent of the shares,
 7 undivided earnings and reserves of the credit union except
 8 that this limit shall not apply to obligations of the federal
 9 government. The aggregate total of the investment securities
 10 held by the credit union shall not exceed fifteen percent
 11 of the shares, undivided earnings and reserves of said credit
 12 union.

EXPLANATION

13
 14 This bill permits a board of directors to authorize full
 15 membership privileges to all members of a credit union who
 16 leave the field of association through which they initially
 17 became members. The bill also grants broader discretion to
 18 the board in matters relating to the value of shares, the
 19 declaration of a dividend period, investment powers, including
 20 the power to invest in other credit unions to a certain limit
 21 and conditional sales contracts of credit union members,
 22 expulsion of members, the making of loans and other service
 23 arrangements available to credit unions, and consolidation
 24 of credit unions. Under the bill, small groups of employees
 25 are allowed to be served by an existing credit union.

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LSB 169
jm/cw/4

H-3256

- 1 Amend Senate File 39 as follows:
- 2 1. Page 5, line 3 by striking the word "twenty"
- 3 and inserting in lieu thereof the word "fifteen".
- 4 2. Page 5, line 19 by striking the word "ninety"
- 5 and inserting in lieu thereof the word "seventy-five".

H-3256 FILED - *H.D. 3/25*
MARCH 10, 1975

BY SCHROEDER of Pottawattamie

H-3302

- 1 Amend Senate File 39, as passed by the Senate, as follows:
- 2 1. Page 3, after line 5, by inserting the following
- 3 section:
- 4 "Sec. _____. Section five hundred thirty-three point
- 5 seven (533.7), unnumbered paragraph two (2), Code
- 6 1975, is amended to read as follows:
- 7 At all meetings no member shall have more than
- 8 one vote regardless of the shares held by him. There
- 9 shall be no voting by proxy. A member may vote by
- 10 absentee ballot as provided in the bylaws of the
- 11 credit union. A member other than a natural person
- 12 may cast a single vote through a delegated agent which
- 13 agent shall be a member of the organization for which
- 14 he acts. The majority of members present voting at
- 15 any meeting may modify, amend or reverse any act of
- 16 the board of directors or instruct it to take action
- 17 not inconsistent with the bylaws or of this chapter."
- 18 2. By renumbering sections in accordance with
- 19 this amendment.

H-3302 FILED - *H.D. 3/25 (733)*
MARCH 12, 1975

BY JESSE of Polk

SENATE FILE 39

AN ACT

RELATING TO THE ORGANIZATION, POWERS AND DUTIES OF CREDIT UNIONS.

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

Section 1. Section five hundred thirty-three point one (533.1), subsection one (1), paragraph c, Code 1975, is amended to read as follows:

c. The par value of the shares of the credit union which shall ~~be five dollars each~~ not exceed twenty-five dollars each and shall be established by the board of directors. A credit union may have more than one class of shares.

Sec. 2. Section five hundred thirty-three point two (533.2), Code 1975, is amended to read as follows:

533.2 AMENDMENTS. The articles of incorporation or the bylaws may be amended by a favorable vote of ~~three-fourths~~ a majority of the members present at any meeting, which number must constitute a quorum provided the proposed amendment was contained in the notice of the meeting. Any and all such amendments must be approved by the superintendent of banking before they become effective.

Sec. 3. Section five hundred thirty-three point four (533.4), Code 1975, is amended by striking paragraphs g and h of subsection five (5) and inserting in lieu thereof the following:

g. Capital shares, obligations, or preferred stock issues of an agency or association organized either as a stock company, mutual association, or membership corporation, if the membership or stockholdings, as the case may be, of the agency or association are primarily confined or restricted to credit unions or organizations of credit unions, and if the purposes for which the agency or association is organized are primarily designed to provide services to credit unions. However, the aggregate amount invested pursuant to this subsection shall

not exceed twenty percent of the unimpaired legal reserve account of the credit union.

Sec. 4. Section five hundred thirty-three point four (533.4), Code 1975, is amended by adding the following new subsections:

NEW SUBSECTION. Upon the approval of the superintendent of banking, serve an employee group having an insufficient number of members to form or conduct the affairs of a separate credit union.

NEW SUBSECTION. Deposit with a credit union which has been in existence for not more than a year an amount not to exceed twenty-five percent of the assets of the new credit union, but only one credit union may at any time make the deposit.

NEW SUBSECTION. Acquire the conditional sales contracts, promissory notes or other similar instruments executed by its members, but the rate of interest existing on the instrument shall not exceed the highest rate charged by the acquiring credit union on its outstanding loans.

NEW SUBSECTION. Discount and sell obligations which are due for agricultural loans, student loans, home improvement loans, and consumer loans, without recourse.

Sec. 5. Section five hundred thirty-three point five (533.5), Code 1975, is amended to read as follows:

533.5 MEMBERSHIP. Credit union membership shall consist of the incorporators and such other persons as may be elected to membership and subscribe for at least one share, pay the installment thereon and the entrance fee, if any. Organizations, incorporated or otherwise, composed for the most part of the same general group as the credit union membership may be members. Credit union organization shall be limited to groups having a common bond of occupation or association or to groups within a well-defined neighborhood, community, or rural district. If adopted as a policy by the board of directors of a credit union, members who are no longer included in the common bond of association may retain their credit union membership and all membership privileges.

Sec. 6. Section five hundred thirty-three point six (533.6), subsection two (2), Code 1975, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The superintendent of banking may accept, in lieu of the annual examination of a credit union, an audit report conducted by a certified public accounting firm selected from a list of firms previously approved by the superintendent of banking. The cost of the audit shall be paid by the credit union.

Sec. 7. Section five hundred thirty-three point nine (533.9), unnumbered paragraph one (1), Code 1975, is amended to read as follows:

Within five days following the organization meeting and each annual meeting the directors shall elect from their own number a ~~president, vice-president, treasurer and secretary~~ chairman of the board, vice chairman, president and secretary, of whom the last two may be the same individual, and also a credit committee of not less than three members and an auditing committee of not less than three members, and may also elect alternate members of the credit committee. It shall be the duty of the directors to have general management of the affairs of the credit union, particularly to:

Sec. 8. Section five hundred thirty-three point nine (533.9), unnumbered paragraph two (2), Code 1975, is amended to read as follows:

The duties of the officers shall be determined in the bylaws, except that the ~~treasurer~~ president shall be the general manager. No member of the board or of either committee shall, as such, be compensated.

Sec. 9. Section five hundred thirty-three point ten (533.10), Code 1975, is amended to read as follows:

533.10 CREDIT COMMITTEE. The credit committee shall have the general supervision of all loans to members. Applications for loans shall be on a form, prepared by the credit committee, and all applications shall set forth the purpose for which the loan is desired, the security, if any, offered, and such other data as may be required. Within the meaning of this

section an assignment of shares or deposits or the endorsement of a note may be deemed security. At least a majority of the members of the credit committee shall pass on all loans and may grant approval thereof, provided, however, that the credit committee of a credit union, with the approval of the board of directors, may appoint one or more loan officers, who may be the ~~treasurer or assistant-treasurer~~ president or vice president, and delegate to him or them, subject to conditions and regulations of the credit committee, power to approve or reject loans ~~up to the maximum which can be made without security, or in excess of such limit if such excess is fully secured by shares.~~ ~~Each loan officer shall furnish to the credit committee a record of each loan approved or not approved by him within seven days of the date of the filing of the application therefor.~~ ~~All loans not approved by a loan officer shall be acted upon by the credit committee.~~ The credit committee shall meet as often as may be necessary after due notice to each member.

Sec. 10. Section five hundred thirty-three point sixteen (533.16), unnumbered paragraph one (1), Code 1975, is amended to read as follows:

A credit union may loan to members. Loans must be for a provident or productive purpose and are made subject to the conditions contained in the bylaws. A borrower may repay his loan in whole or in part any day the office of the credit union is open for business. ~~No director, officer, or member of committee may borrow from the credit union in which he holds office beyond the amount of his holdings in it in shares and deposits, nor may he endorse for borrowers.~~ A director of a credit union may borrow from that credit union under the provisions of this chapter, but the loan shall not be made on terms more favorable than those extended to other members and shall be made only after the approval by the board of directors at a regular or special meeting. The director making application for the loan shall not be in attendance at the time the board of directors considers his application and shall not take part in the consideration. The loan shall

be made only if the director has submitted a detailed current financial statement. The aggregate amount of director loans shall not exceed twenty percent of the assets of the credit union. Loans secured by a mortgage or deed of trust upon real property may be made only on unencumbered property located in Iowa and in bordering counties of adjacent states and every such loan shall comply with one of the following conditions:

Sec. 11. Section five hundred thirty-three point sixteen (533.16), unnumbered paragraph two (2), Code 1975, is amended to read as follows:

The foregoing restrictions or limitations shall not prevent the renewal or extension of loans and shall not apply to loans which are secured under the provisions of the national housing Act, as amended. The board of directors of a credit union possessing assets of at least five hundred thousand dollars may set maturity schedules for real property loans not to exceed twenty-five years. The value of the property given as security must be determined by an independent appraiser and the maximum loan must not exceed ninety percent of the appraised value. However, the maximum real property loan balances of this type in the credit union shall not exceed fifteen percent of the aggregate total of the member share and deposit accounts.

Sec. 12. Section five hundred thirty-three point seventeen (533.17), Code 1975, is amended by striking the section and inserting in lieu thereof the following:

533.17 RESERVES.

1. A portion of the gross earnings, as determined before payment of each dividend, shall be set aside as a legal reserve as follows:

- a. Ten percent of gross income until the legal reserve equals seven and one-half percent of the total of outstanding loans and risk assets; then
- b. Five percent of gross income until the legal reserve equals ten percent of the total of outstanding loans and risk assets.

Whenever the legal reserve falls below ten percent or seven

and one-half percent of the total of outstanding loans and risk assets, as the case may be, the difference shall be replaced by regular contributions in order to maintain the seven and one-half percent or ten percent reserve. Any entrance fees, charges and transfer fees shall, after payment of organization expenses, be added to the legal reserve. The legal reserve shall belong to the credit union and shall be used to meet losses except those resulting from an excess of expenses over income. The reserve shall not be distributed except on liquidation of the credit union or in accordance with a plan approved by the superintendent of banking.

2. For the purpose of establishing legal reserves, the following shall not be considered risk assets:

- a. Cash on hand.
- b. Deposits and shares in federal or state banks, savings and loan associations, and credit unions.
- c. Assets which are insured by, fully guaranteed as to principal and interest by, or due from the United States government.
- d. Loans to other credit unions.
- e. Student loans insured under the provisions of Title twenty (XX), United States Code, section one thousand seventy-one (1071) through section one thousand eighty-seven (1087) or similar state programs.
- f. Loans insured by the federal housing administration under Title twelve (XII), United States Code, section one thousand seven hundred three (1703).
- g. Common trust investments which deal in investments authorized in section five hundred thirty-three point four (533.4) of the Code.

- h. Prepaid expenses.
- i. Accrued interest on nonrisk investments.
- j. Furniture and equipment.
- k. Land and buildings.

3. The superintendent of banking may require a credit union to set aside additional amounts as a special reserve if an examination of its assets should disclose that its legal

reserve is inadequate.

Sec. 13. Section five hundred thirty-three point eighteen (533.18), Code 1975, is amended by striking the section and inserting in lieu thereof the following:

533.18 DIVIDENDS.

1. At such intervals and for such periods as the board of directors may authorize, and after transfers to the required reserves, the board of directors may declare dividends at such rates and upon such classes of shares as are determined by the board. Such dividends shall be paid on all paid-up shares outstanding at the close of the period for which the dividend is declared.

2. Shares which become fully paid up during such dividend period and are outstanding at the close of the period shall be entitled to a proportional share of such dividend.

3. Dividend credit for a month may be accrued on shares which are or become fully paid up during the first fifteen days of that month.

Sec. 14. Section five hundred thirty-three point nineteen (533.19), Code 1975, is amended to read as follows:

533.19 EXPULSION--WITHDRAWAL. A member may be expelled by a ~~two-thirds majority~~ vote of the ~~members present at a special meeting called to consider the matter but only after a hearing~~ board of directors at a regular or special meeting of the board. The expelled member may request a hearing before the membership of the credit union. A meeting of the membership shall be held within sixty days of the member's request. The membership may, by majority vote at the membership meeting, reinstate the expelled member upon terms and conditions prescribed by it. Any member may withdraw from the credit union at any time but notice of withdrawal may be required. All amounts paid on shares or as deposits of an expelled or withdrawing member, with any dividends or interest accredited thereto, to the date thereof, shall, as funds become available and after deducting all amounts due from the member to the credit union, be paid to him. The credit union may require sixty days' notice of intention to

withdraw shares and thirty days' notice of intention to withdraw deposits. Withdrawing or expelled members shall have no further rights in the credit union but are not, by such expulsion or withdrawal, released from any remaining liability to the credit union.

Sec. 15. Section five hundred thirty-three point thirty (533.30), Code 1975, is amended by striking the section and inserting in lieu thereof the following:

533.30 MERGER.

1. A credit union may, with the approval of the superintendent of banking, merge with another credit union under the existing organization of the other credit union pursuant to a plan agreed upon by the majority of the board of directors of each credit union joining in the merger and approved by the affirmative vote of a majority of the members of the merging credit unions.

2. After agreement by the directors and approval by the members of the merging credit unions, the chairman of the board and secretary of the credit unions shall execute a certificate of merger, which shall state:

- a. The time and place of the meeting of the board of directors at which the plan was agreed upon.
 - b. The vote in favor of the plan adopted by the boards of the respective credit unions.
 - c. A copy of the resolution or other action by which the plan was agreed upon.
 - d. The vote by which the plan was approved by the members.
3. The certificate and a copy of the plan of merger agreed upon shall be forwarded to the superintendent of banking, certified by him, and returned to both credit unions within thirty days.

4. Upon return of the certificate from the superintendent of banking, all property, property rights, and members' interest of the merged credit union shall vest in the surviving credit union without deed, endorsement or other instrument of transfer, and all debts, obligations and liabilities of the merged credit union are assumed by the surviving credit

union under whose charter the merger was effected. The rights and privileges of the members of the merged credit union shall remain intact. Credit union membership in the surviving credit union shall be available to persons within the field of membership of the merged credit union.

5. This section shall be construed to permit a credit union organized under any other statute to merge with one organized under this chapter, or to permit one organized under this chapter to merge with one organized under any other statute.

Sec. 16. Chapter five hundred thirty-three (533), Code 1975, is amended by adding the following new section:

NEW SECTION. CORPORATE CENTRAL CREDIT UNION. A credit union, in which all credit unions, the credit union league, and its affiliates in the state of Iowa are eligible for membership, may be established in this state and shall be known as a corporate central credit union. A corporate central credit union shall have all the powers, rights, restrictions and obligations imposed upon or granted credit unions established under the provisions of this chapter, except:

1. It shall not be required to transfer to the legal reserve of the corporation more than five percent of the corporation's net income for the year.

2. It may buy or sell investment securities and corporate bonds which are evidences of indebtedness. However, the buying and selling of such investment securities and corporate bonds shall be limited to buying and selling without recourse to marketable obligations evidencing indebtedness of any corporation or state or federal agency, under further definitions of the term "investment securities" as prescribed by the superintendent. The total amount of the investment securities of any one obligor or maker held by the credit union shall at no time exceed five percent of the shares, undivided earnings and reserves of the credit union except that this limit shall not apply to obligations of the federal government. The aggregate total of the investment securities held by the credit union shall not exceed fifteen percent

of the shares, undivided earnings and reserves of said credit union.

ARTHUR A. NEU
President of the Senate

DALE M. COCHRAN
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 39, Sixty-sixth General Assembly.

CLARK R. RASMUSSEN
Secretary of the Senate

Approved *April 8*, 1975

ROBERT D. RAY
Governor