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HOUSE FILE 649

FEB 26 1979  
Place On Calendar

By COMMITTEE ON COMMERCE  
(Formerly Study Bill 163)

Passed House, Date 3-16-79 (p. 996) Passed Senate, Date \_\_\_\_\_  
Vote: Ayes 87 Nays 0 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved 6/8/79

## A BILL FOR

1 An Act to amend Iowa Banking Act provisions regarding state  
2 bank reports of condition, directors' qualifications,  
3 incorporation procedures, reserve requirements, property  
4 ownership, interest payments and loans.

5 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 two  
2 hundred twenty (524.220), subsection two (2), Code 1979, is  
3 amended to read as follows:

4 2. The statement shall be transmitted to the superintendent  
5 within ~~ten~~ thirty days after the receipt of a request for  
6 the statement from the superintendent. A statement shall  
7 be called for by the superintendent at least three times each  
8 year.

9 Sec. 2. Section five hundred twenty-four point two hundred  
10 twenty (524.220), subsection three (3), Code 1979, is amended  
11 to read as follows:

12 3. Within ~~twenty~~ forty days after the date of the receipt  
13 of the request for a statement of condition, the state bank  
14 shall cause the statement to be published once in a newspaper  
15 of general circulation in the municipal corporation or  
16 unincorporated area in which the state bank has its principal  
17 place of business, or if there is none, in a newspaper of  
18 general circulation published in the county, or in a county  
19 adjoining the county, in which the state bank has its principal  
20 place of business. Proof of such publication by affidavit  
21 of the publisher of the newspaper in which it was made, shall  
22 be delivered to the superintendent and shall be conclusive  
23 evidence of the fact.

24 Sec. 3. Section five hundred twenty-four point three  
25 hundred four (524.304), Code 1979, is amended to read as  
26 follows:

27 524.304 PUBLICATION OF NOTICE. The incorporators of a  
28 state bank shall publish notice of their intention to deliver,  
29 or the delivery of, the articles of incorporation to the  
30 superintendent, once each week for two successive weeks in  
31 a newspaper of general circulation published in the municipal  
32 corporation which is proposed as the principal place of  
33 business of the state bank, or if there is none, a newspaper  
34 of general circulation published in the county, or in a county  
35 adjoining the county, in which the proposed state bank is

1 to have its principal place of business. The first publication  
2 of the notice shall appear prior to, or within seven ten (10)  
3 days after, the date of delivery of the articles of  
4 incorporation to the superintendent and shall set forth:

- 5 1. The name of the proposed state bank.
- 6 2. A statement that it is to be incorporated under this  
7 chapter.
- 8 3. The purpose or purposes of the state bank.
- 9 4. The names and addresses of the incorporators and of  
10 the members of the initial board of directors as they appear,  
11 or will appear, in the articles of incorporation.
- 12 5. The date of the delivery of the articles of  
13 incorporation to the superintendent.
- 14 6. If the incorporation of the state bank has been approved  
15 by the superintendent under section five hundred twenty-four  
16 point three hundred five (524.305), subsection six (6), the  
17 name and address of the bank with which the state bank will  
18 have merged or consolidated, or the assets of which the state  
19 bank will have acquired or the condition of which in some  
20 other way provided a purpose for the incorporation.

21 Sec. 4. Section five hundred twenty-four point three  
22 hundred five (524.305), Code 1979, is amended to read as  
23 follows:

24 524.305 APPROVAL BY SUPERINTENDENT.

25 1. Upon receipt of an application for approval of a state  
26 bank the superintendent shall conduct such investigation as  
27 he deems necessary to ascertain whether:

- 28 1 a. The articles of incorporation and supporting items  
29 satisfy the requirements of this chapter.
- 30 2 b. The convenience and needs of the public will be  
31 served by the proposed state bank.
- 32 3 c. The population density or other economic  
33 characteristics of the area primarily to be served by the  
34 proposed state bank afford reasonable promise of adequate  
35 support for the state bank.

1     4 d. The character and fitness of the incorporators and  
2 of the members of the initial board of directors are such  
3 as to command the confidence of the community and to warrant  
4 the belief that the business of the proposed state bank will  
5 be honestly and efficiently conducted.

6     5 e. The capital structure of the proposed state bank  
7 is adequate in relation to the amount of the anticipated  
8 business of the state bank and the safety of prospective  
9 depositors.

10    6 f. The proposed state bank will have sufficient personnel  
11 with adequate knowledge and experience to conduct the business  
12 of the state bank, and to administer fiduciary accounts, if  
13 the state bank is to be authorized to act in a fiduciary  
14 capacity.

15    2. Within one hundred eighty days after receipt of the  
16 application for approval together with the items referred  
17 to in section 524.303, subsections 1 and 2, the superintendent  
18 shall make a determination whether to approve or disapprove  
19 the pending application on the basis of his investigation.

20    3. Within ninety days after the second publication of  
21 the notice referred to in section 524.304 any person opposing  
22 the pending application shall file written objections thereto  
23 with the superintendent. Following the expiration of the  
24 period referred to in the previous sentence and prior to  
25 making a determination on the pending application the  
26 superintendent shall, upon adequate notice, afford all  
27 interested persons, including the incorporators, an opportunity  
28 for a stenographically reported hearing during which such  
29 persons shall be allowed to present evidence in support of,  
30 or in opposition to, the pending application.

31    4. If the superintendent approves the pending application,  
32 he shall deliver the articles of incorporation, with his  
33 approval indicated thereon, to the secretary of state and  
34 notify the incorporators, and such other persons who requested  
35 in writing that they be notified, of such approval. If the

1 superintendent disapproves the pending application he shall  
2 notify the incorporators of his action and the reason for  
3 his decision.

4 5. The actions of the superintendent shall be subject  
5 to judicial review in accordance with the terms of the Iowa  
6 administrative procedure Act. The court may award damages  
7 to the incorporators if it finds that review is sought  
8 frivolously and in bad faith.

9 6. Subsection three (3) of this section shall not apply  
10 if the superintendent finds that one of the purposes of the  
11 proposed state bank is the merger or consolidation with, or  
12 the purchase of some or all of the assets of and assumption  
13 of some or all of the liabilities of, a bank for which a  
14 receiver has been appointed or which has been ordered, by  
15 authorities of this state or the United States, to cease to  
16 carry on its business, or if the superintendent finds for  
17 any other reason that immediate action on the pending  
18 application is advisable in order to protect the interests  
19 of depositors or the assets of any other bank.

20 7. Before receiving the decision of the superintendent  
21 with respect to the pending application the incorporators  
22 shall, upon notice, reimburse the superintendent to the extent  
23 of the expenses incurred by him in connection with the  
24 application.

25 Sec. 5. Section five hundred twenty-four point three  
26 hundred seven (524.307), Code 1979, is amended to read as  
27 follows:

28 524.307 ORGANIZATIONAL MEETING. After the issuance of  
29 the certificate of incorporation of a state bank, an  
30 organizational meeting of the board of directors named in  
31 the articles of incorporation shall be held at the call of  
32 a majority of the incorporators for the purpose of adopting  
33 bylaws, if any are to be adopted, electing officers and the  
34 transaction of such other business as may properly come before  
35 the meeting. The incorporators calling the meeting shall

1 give at least three days' notice thereof by mail to each  
2 director so named, except that any form of actual notice or  
3 written waiver thereof shall be sufficient in the case of  
4 a state bank approved under the provisions of section five  
5 hundred twenty-four point three hundred five (524.305),  
6 subsection six (6). which A notice shall state the time and  
7 place of the meeting.

8 Sec. 6. Section five hundred twenty-four point three  
9 hundred twelve (524.312), Code 1979, is amended by adding  
10 the following new subsection:

11 NEW SUBSECTION. A state bank approved under the provisions  
12 of section five hundred twenty-four point three hundred five  
13 (524.305), subsection six (6), shall not commence its business  
14 at any location other than within a municipal corporation  
15 or unincorporated area in which was located the principal  
16 place of business or an office of the bank whose condition  
17 was the basis for the superintendent authorizing incorporation  
18 of the new state bank.

19 Sec. 7. Section five hundred twenty-four point six hundred  
20 one (524.601), subsection one (1), Code 1979, is amended to  
21 read as follows:

22 1. The business and affairs of a state bank shall be  
23 managed by a board of five or more directors eighteen years  
24 of age or older, a majority of whom shall be citizens of this  
25 state and all of whom shall be citizens of the United States.  
26 ~~No individual shall be eligible to serve as a director of~~  
27 ~~any state bank unless he is the owner, in his own right, free~~  
28 ~~of any lien and encumbrance, of common shares in the state~~  
29 ~~bank of which he is a director having a par value of not less~~  
30 ~~than five hundred dollars.~~

31 Sec. 8. Section five hundred twenty-four point six hundred  
32 twelve (524.612), subsection one (1), Code 1979, is amended  
33 to read as follows:

34 1. The total obligations, as defined in subsection 1 of  
35 section 524.904, of a director to a state bank of which he

1 is a director shall not exceed twenty percent of the capital  
 2 and surplus of the state bank except that the total obligations  
 3 of a director to a state bank of which he is a director shall  
 4 not exceed forty percent of the capital and surplus of the  
 5 state bank if the amount by which such obligations exceed  
 6 twenty percent of the capital and surplus of the state bank  
 7 shall consist of obligations described in ~~subparagraphs-(1),~~  
 8 ~~(2), and (3)-of~~ paragraph "a" of subsection 2 of section  
 9 524.904. A majority of the board of directors, voting in  
 10 the absence of the applying director, shall give its prior  
 11 approval to any obligation, as defined in subsection 1 of  
 12 section 524.904, of a director to the state bank of which  
 13 he is a director. The form of such approval shall be specified  
 14 by the superintendent, and a copy recorded in the minutes  
 15 of the board of directors.

16 Sec. 9. Section five hundred twenty-four point seven  
 17 hundred six (524.706), subsection one (1), paragraph a, Code  
 18 1979, is amended to read as follows:

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

24 (1) Such amount as the bank is permitted to lend pursuant  
 25 to section 524.905, subsection 2, if, at the time such  
 26 obligations is incurred, it is secured by a first lien on  
 27 a dwelling which is expected, after the obligation is incurred,  
 28 to be owned by the executive officer and used by him as his  
 29 residence, provided that at the time the loan is made there  
 30 is no other loan by the bank to the executive officer, under  
 31 authority of this subparagraph, outstanding; and

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

1 (3) Any other loans or extensions of credit which in  
2 aggregate do not at any one time exceed ~~five~~ ten thousand  
3 dollars.

4 Sec. 10. Section five hundred twenty-four point eight  
5 hundred three (524.803), subsection two (2), Code 1979, is  
6 amended to read as follows:

7 2. The book value of all real and personal property  
8 acquired and held pursuant to this section, of all alterations  
9 to buildings on real property owned or leased by a state bank,  
10 of all shares in corporations acquired pursuant to paragraphs  
11 "c" and "d" of subsection 1 of this section, and of any and  
12 all obligations of such corporations to the state bank, shall  
13 not exceed ~~twenty-five~~ fifty percent of the capital, and  
14 surplus and undivided profits of the state bank or such larger  
15 amount as may be approved by the superintendent.

16 Sec. 11. Section five hundred twenty-four point eight  
17 hundred five (524.805), subsection two (2), Code 1979, is  
18 repealed.

19 Sec. 12. Section five hundred twenty-four point eight  
20 hundred sixteen (524.816), Code 1979, is amended to read as  
21 follows:

22 524.816 CASH RESERVE REQUIREMENTS.

23 1. A state bank which is a member of the federal reserve  
24 system shall maintain ~~cash~~ reserves in accordance with the  
25 requirements applicable to a member bank under the laws of  
26 the United States.

27 2. A state bank which is not a member of the federal  
28 reserve system shall maintain ~~cash~~ reserves against its  
29 deposits in amounts:

30 a. In the case of a state bank with its principal place  
31 of business in a municipal corporation defined as a reserve  
32 city by the laws of the United States, not less than ten  
33 percent of its demand deposits except that the superintendent  
34 may on such basis as he may deem appropriate in view of the  
35 character of the business transacted by such state bank, make

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1 applicable the reserve requirement prescribed for banks not  
2 having their principal place of business in such a reserve  
3 city.

4 b. In the case of a state bank not having its principal  
5 place of business in a municipal corporation defined as a  
6 reserve city by the laws of the United States, not less than  
7 seven percent of its demand deposits.

8 c. In the case of any deposit other than a demand deposit,  
9 not less than three percent.

10 3. A state bank, except a state bank which is a member  
11 of the federal reserve system, shall determine the amount  
12 of its cash reserves required by this section in accordance  
13 with a formula prescribed by the superintendent by general  
14 regulation applicable to all such state banks.

15 4. The cash reserves required by this section of a state  
16 bank which is not a member of the federal reserve system shall  
17 be maintained as follows:

18 a. Not less than one-fifth of the reserve shall consist  
19 of United States coin and currency on hand and funds on deposit  
20 in other banks, the deposits of which are insured by the  
21 federal deposit insurance corporation.

22 b. The balance of the reserve may be invested in the  
23 United States treasury debt instruments which are owned by  
24 the state bank and which will mature in one year or less.

25 5. Whenever it shall appear necessary to do so in the  
26 interest of the depositors of a state bank, the superintendent  
27 may require that the state bank maintain reserves exceeding  
28 the amount required by this section consisting of such  
29 obligations of the United States as the superintendent shall  
30 prescribe.

31 Sec. 13. Section five hundred twenty-four point nine  
32 hundred one (524.901), subsection two (2), Code 1979, is  
33 amended to read as follows:

34 2. A state bank may invest for its own account in other  
35 readily marketable bonds or securities, with investment

1 characteristics as defined by the superintendent by general  
2 regulation applicable to all state banks, subject to the  
3 following limitations:

4 a. The total amount of such bonds or securities of any  
5 one issuer or obligor, other than revenue or improvement bonds  
6 issued by a municipality pursuant-to-section-419.2 and  
7 subjected to separate investment limits under paragraphs "b",  
8 "c", or "d" of this subsection, shall not exceed twenty percent  
9 of the capital and surplus of the state bank.

10 b. The total amount of special assessment improvement  
11 or refunding bonds which have been issued by a municipality  
12 under authority of section three hundred eighty-four point  
13 sixty-eight (384.68) and which are repayble from the proceeds  
14 of any one levy shall not exceed twenty percent of the capital  
15 and surplus of the state bank.

16 c. The total amount of revenue bonds and pledge orders  
17 which have been issued by a municipality under authority of  
18 chapter three hundred eighty-four (384), division five (V),  
19 and which are repayable from the revenues of any one city  
20 utility, combined utility system, city enterprise or combined  
21 city enterprise shall not exceed twenty percent of the capital  
22 and surplus of the state bank.

23 d. The total amount of revenue bonds issued by a  
24 municipality pursuant to section 419.2 which have been issued  
25 on behalf of any one lessee, as defined in section 419.1,  
26 or which are guaranteed by any one guarantor, or which are  
27 issued on behalf of or guaranteed by a corporation, a ten  
28 percent or greater ownership interest in which is held by  
29 or in common with a ~~lessee~~ lessee or guarantor, or any  
30 combination of the foregoing whereby the municipality could  
31 receive revenues for payment of such bonds from any one person  
32 or any group of persons under common control, shall not exceed  
33 twenty percent of the capital and surplus of the state bank.

34 e. A state bank shall obtain the express consent of the  
35 superintendent prior to investment by that bank of an amount

1 in excess of twenty percent of its capital and surplus in  
2 bonds or securities issued by any one municipality, regardless  
3 of the sources of funds proposed for repayment of the various  
4 bonds or securities.

5 e f. No bond or security shall be eligible for investment  
6 by a state bank within this subsection if the bond or security  
7 has been in default either as to principal or interest at  
8 any time within five years prior to the date of purchase.

9 Sec. 14. Section five hundred twenty-four point nine  
10 hundred four (524.904), subsection two (2), paragraph a, Code  
11 1979, is amended by adding the following new subparagraph:

12 NEW SUBPARAGRAPH. Obligations of a customer which is a  
13 bank, to the extent the obligations are repayable on demand  
14 or on the first business day following demand for repayment.

15 Sec. 15. Section five hundred twenty-four point nine  
16 hundred four (524.904), subsection two (2), paragraph d, Code  
17 1979, is amended to read as follows:

18 d. The total obligations of any one customer, ~~who~~ which  
19 is an individual or a corporation, to a state bank at any  
20 one time shall not exceed forty percent of the capital and  
21 surplus of the state bank if all of the amount by which such  
22 obligations exceed twenty percent of the capital and surplus  
23 of the state bank consists of amounts owed by one or more  
24 corporations of which the customer owns or controls more than  
25 fifty percent of the shares entitled to vote, or, if the  
26 customer is a corporation, of amounts owed by another  
27 corporation which owns or controls more than fifty percent  
28 of the shares of the customer entitled to vote, or of amounts  
29 owed by one or more other corporations more than fifty percent  
30 of the voting shares of each of which are owned or controlled  
31 by a person which also owns or controls more than fifty percent  
32 of the shares of the customer entitled to vote, provided  
33 however, when this paragraph applies:

34 (1) The amounts owed by such customer shall not exceed  
35 twenty percent of the capital and surplus of the state bank.

1 (2) The amounts owed by any one or all of ~~such~~ the  
2 corporations other than the customer shall not exceed twenty  
3 percent of the capital and surplus of the state bank.

4 (3) The shares, assets and any liabilities of any such  
5 corporation other than the customer shall not be included  
6 in the financial statement of such customer or otherwise  
7 relied upon as a basis for a loan to such customer.

8 (4) The assets or guarantee of such customer shall not  
9 be relied upon as a basis for a loan to any such corporation.

10 (5) The proceeds of the amounts owed by the customer shall  
11 not be intermingled with or used for a common purpose with  
12 the proceeds of the amounts owed by the corporation or  
13 corporations other than the customer.

14 For the purposes of this paragraph, the term "amounts owed"  
15 means the amounts for the payment of which such customer or  
16 any one or all such corporations are obligated, whether  
17 directly or indirectly, primarily or secondarily, to a state  
18 bank as a result of the exercise by the state bank of the  
19 powers conferred by section 524.902, but determined without  
20 reference to paragraphs "e", "f" and "g" of subsection 1 of  
21 this section.

22 Sec. 16. Section five hundred twenty-four point nine  
23 hundred four (524.904), subsection four (4), Code 1979, is  
24 amended by adding the following new paragraph:

25 NEW PARAGRAPH. Obligations of a customer as endorser or  
26 guarantor for a corporation in which that customer owns or  
27 controls more than fifty percent of the shares entitled to  
28 vote, provided that under rules promulgated by the  
29 superintendent the customer and the corporation qualify as  
30 separate customers because the assets and the demonstrated  
31 ability to generate income of the corporation and the customer  
32 taken together are adequate to secure and fund all outstanding  
33 and contemplated debt of the corporation and the customer.

34 Sec. 17. Section five hundred twenty-four point nine  
35 hundred five (524.905), subsection one (1), Code 1979, is

1 amended to read as follows:

2 1. A state bank may make permanent loans or combined  
3 construction and permanent loans, secured by liens on  
4 residential real property housing more than two families,  
5 and on real property consisting of farmland, industrial,  
6 manufacturing and commercial properties including a leasehold  
7 in such properties. Any such loan may be made in an amount  
8 not to exceed seventy-five percent of the appraised value  
9 of the property offered as security and for a term not longer  
10 than ~~twenty~~ twenty-five (25) years, provided that the loan  
11 is secured by an amortized mortgage, deed of trust or other  
12 such instrument under the terms of which the installment  
13 payments are sufficient to amortize the entire principal of  
14 the loan within a period of not more than ~~twenty~~ twenty-five  
15 (25) years. In the case of a combined construction and  
16 permanent loan made pursuant to this subsection, the amount  
17 of the loan shall not exceed seventy-five percent of the value  
18 of the property upon completion of the construction.

19 Sec. 18. Section five hundred twenty-four point nine  
20 hundred five (524.905), subsection three (3), paragraph c,  
21 Code 1979, is amended to read as follows:

22 c. Financing the acquisition and development of unimproved  
23 real property if the maturity of any such loan does not exceed  
24 three years from the date thereof and the amount of any such  
25 loan does not exceed ~~one-half~~ seventy-five (75) percent of  
26 the cost of the real property acquired for development plus  
27 ~~one-half~~ seventy-five (75) percent of the cost of development  
28 exclusive of the cost of construction of buildings.

29 Sec. 19. Section five hundred twenty-four point nine  
30 hundred five (524.905), subsection five (5), paragraph f,  
31 Code 1979, is amended to read as follows:

32 f. The state bank shall obtain either a written opinion  
33 by an attorney admitted to practice in Iowa stating that the  
34 mortgage, deed of trust or similar instrument is a first lien  
35 on the real property, or a loan policy of title insurance

1 written by an insurance company licensed to do business in  
2 the state in which the real property is located insuring the  
3 title to the real property and the validity and enforceability  
4 of the mortgage, deed of trust or similar instrument as a  
5 first lien on the real property.

6 Sec. 20. Section five hundred twenty-four point nine  
7 hundred five (524.905), subsection six (6), paragraph e,  
8 subparagraph three (3), Code 1979, is amended to read as  
9 follows:

10 (3) On a financially responsible lessee of the real  
11 property provided that the lease shall be assigned to the  
12 state bank and the lease by its terms shall be sufficient  
13 to amortize the entire principal of the loan within a period  
14 of not more than ~~twenty~~ twenty-five (25) years.

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15 Sec. 21. Section five hundred twenty-four point nine  
16 hundred five (524.905), Code 1979, is amended by adding the  
17 following new subsection:

18 NEW SUBSECTION. A state bank may make loans described  
19 in subsections one (1) or two (2) of this section which,  
20 notwithstanding paragraph "a" of subsection five (5) or any  
21 amortization requirements in this section, are secured by  
22 graduated payment mortgages, variable rate mortgages or reverse  
23 annuity mortgages.

24 a. A "graduated payment mortgage" is a mortgage which  
25 secures a loan having scheduled payments which begin at a  
26 level lower than that necessary to fully amortize the loan  
27 within its term, and which gradually increase to a  
28 predetermined level after which the amount of each payment  
29 remains constant. The period during which the payments may  
30 increase, the rate of increase and the interest rate shall  
31 be fixed for the entire term of the loan at the time of its  
32 origination. The period during which the payments may increase  
33 shall not exceed ten (10) years, the rate of increase shall  
34 not exceed three (3) percent annually over a ten (10) year  
35 period, three point five (3.5) percent annually over a nine

1 (9) year period, four point five (4.5) percent annually over  
2 an eight (8) year period, five point five (5.5) percent  
3 annually over a seven (7) year period, six point five (6.5)  
4 percent annually over a six (6) year period or seven point  
5 five (7.5) percent annually over a period of five (5) years  
6 or less, and the amount of each payment shall not be changed  
7 more often than once each year with the first change to occur  
8 not less than twelve months after the due date of the first  
9 scheduled payment on the loan.

10 b. A "variable rate mortgage" is a mortgage which secures  
11 a loan bearing an interest rate which fluctuates in direct  
12 relation to a reference index, resulting in future payments  
13 which may be of an amount not known at the time the loan is  
14 made. Interest rate adjustments may not be made more  
15 frequently than once each year, on fixed dates specified in  
16 the loan agreement and commencing not less than twelve months  
17 after the due date of the first scheduled payment on the loan.  
18 The borrower shall receive not less than sixty days notice  
19 prior to the effective date of any rate change. The notice  
20 shall specify the new interest rate and, after giving effect  
21 to the interest rate adjustment, the new dollar amount of  
22 each periodic payment or the new term of the loan should the  
23 borrower elect to extend the loan. Upon receipt of a notice  
24 of an interest rate increase, a borrower shall be entitled,  
25 by notifying the bank not less than thirty days prior to the  
26 effective date of the increase, to require that in lieu of  
27 an increase in the amount of any scheduled periodic payment  
28 on the loan the term of the loan be extended by a period  
29 sufficient to eliminate or reduce the increase in the periodic  
30 payment amount, provided that the cumulative net effect of  
31 all such extensions shall be a maximum of one-third (1/3)  
32 of the original term of the loan. A decrease in the interest  
33 rate of the loan shall be applied by the bank first to a  
34 reduction of any previously extended loan maturity and then  
35 to a reduction of periodic payment amounts. The smallest

1 adjustment which may be made in the rate shall be one-twentieth  
2 of one percent (0.05%) and the greatest adjustment in the  
3 rate which may be made at any one time shall be one-half of  
4 one percent (0.5%). Changes in the reference index which  
5 are not reflected in the loan interest rate, either at the  
6 option of the bank in the case of increases or because the  
7 change exceeds the smallest or greatest adjustment permitted  
8 by this paragraph, may be accumulated by the bank in the case  
9 of increases and shall be accumulated by the bank in the case  
10 of decreases and may, in the case of increases, or shall,  
11 in the case of decreases, be taken at a later time or used  
12 to offset other changes. The maximum net increase in the  
13 interest rate over the life of the loan shall be two point  
14 five percent (2.5%). The reference index to which the interest  
15 rate is tied shall be an index published by the United States  
16 government and approved for use under this subsection by the  
17 superintendent.

18 c. A "reverse annuity mortgage" is a mortgage on one-  
19 family or two-family residential real property which secures  
20 a loan having no periodic principal payments due the bank,  
21 and the proceeds of which are either paid to the borrower  
22 on a periodic basis or used by the bank to purchase an annuity  
23 having periodic payments to the borrower. The loan may become  
24 due either on a specific date or upon the occurrence of a  
25 specific event, provided that the bank shall refinance, at  
26 the request of an original borrower and at a then-current  
27 market interest rate, any loan secured by a reverse annuity  
28 mortgage which comes due on a specific date prior to the sale  
29 or gift of an interest in the real property. Loans secured  
30 by reverse annuity mortgages may be made only pursuant to  
31 a written plan filed by the bank and approved by the  
32 superintendent, setting forth the terms and conditions, other  
33 than length and interest rate, of loans to be made pursuant  
34 to the plan. Every written plan shall provide that:

35 (1) All loans made pursuant to the plan may be prepaid,

1 and the mortgage released, at any time without penalty.

2 (2) The lender shall disclose to the borrower in writing,  
3 at least seven (7) days prior to the effective date of the  
4 loan, all contractual contingencies which could force a sale  
5 of the real property.

6 (3) Interest rates shall not vary during the term of the  
7 loan.

3257

8 EXPLANATION

9 This bill makes various revisions in the Iowa Banking Act.

10 Section 1 increases from 10 to 30 days the time which a  
11 state bank has to prepare and submit a report of condition  
12 following the superintendent's call. Section 2 similarly  
13 increases the time within which the state bank must publish  
14 the report, which remains at not later than ten days following  
15 the date the report must be filed with the superintendent.

16 Sections 3, 4, 5 and 6 provide the Superintendent of Banking  
17 with an emergency procedure for authorizing the incorporation  
18 of a state bank to succeed immediately to the business of  
19 a failing bank. There is a similar emergency chartering  
20 procedure for national banks, and the amendments would provide  
21 an alternative to the sale of the assets of the troubled bank  
22 to previously chartered institutions.

23 Section 7 deletes the requirement that a direction of a  
24 state bank must own stock in the bank.

25 Section 8 modifies the lending limits of a state bank to  
26 one of its directors to enable the director to have the same  
27 borrowing privileges as other customers under Code section  
28 (524.904), subject to the existing requirement that the other  
29 directors approve the transactions.

30 Section 9 increases from \$10,000 to \$20,000 the maximum  
31 outstanding balance an officer of a state bank may have on  
32 a loan obtained from the bank to finance the education of  
33 the officers' children, and also increases from \$5,000 to  
34 \$10,000 the maximum balance permitted on loans to a bank  
35 officer for purposes other than residence acquisition or

1 children's education.

2 Section 10 increases the maximum book value of certain  
3 real and personal property which may be acquired and held  
4 by a state bank from 25 percent of capital and surplus to  
5 50 percent of capital, surplus and undivided profits.

6 Section 11 repeals the prohibition on a state bank's payment  
7 of interest on demand deposit accounts, and eliminates the  
8 superintendent's authority to set maximum interest rates on  
9 time deposits.

10 Section 12 would permit a state bank which is not a member  
11 of the federal reserve system to invest up to 80 percent of  
12 its reserve accounts in short term interest bearing federal  
13 securities. Current law requires that nonmember reserves  
14 be held in cash, or in insured demand deposits in other banks.

15 Section 13 revises the statutory limit on revenue and  
16 special assessment bonds of a single municipal issuer which  
17 may be held by a state bank for its own account. The revision  
18 would establish limits based on the source of funds for  
19 repayment of the bonds, even though the bonds in question  
20 might be issued by the same municipality. Under existing  
21 law, a bank may invest up to 20 percent of capital and surplus  
22 in industrial development bonds plus an additional 20 percent  
23 in all other types of revenue or improvement bonds. The bill  
24 would authorize up to 20 percent in industrial development  
25 bonds, plus 20 percent in special assessment improvement bonds  
26 issued under section 384.68 of the Code, plus 20 percent in  
27 revenue bonds for financing city enterprises under chapter  
28 384, division V of the Code, plus 20 percent in all other  
29 types of revenue or special assessment bonds. However, a  
30 bank would be required to obtain the consent of the  
31 superintendent prior to investing more than 20 percent of  
32 its capital and surplus in obligations of any one municipality.

33 Sections 14, 15 and 16 of the bill relate to the limitation  
34 contained in section 524.904 of the Code. Generally, that  
35 section limits the amount that a single customer may be

1 obligated to a state bank, i.e., a limitation on the lending  
2 powers of a state bank with respect to any single customer.  
3 Because of the numerous ways in which a customer potentially  
4 can become "indebted" to a bank, e.g., as the debtor on a  
5 note, or as surety on a debt of a corporation which the  
6 customer owns or controls, subsection 1 of the section contains  
7 a series of rules under which obligations of affiliated  
8 partnerships and corporations are attributed to a given  
9 customer for purposes of the lending limitation. The term  
10 "obligations" also is broadly drawn to include direct and  
11 indirect and primary and secondary liability.

12 The basic limitation is contained in the first unnumbered  
13 paragraph of subsection 2, which provides that the total  
14 obligations of any one customer to a bank shall not exceed  
15 twenty percent of capital and surplus. However, the remainder  
16 of subsection 2 establishes exceptions to the twenty percent  
17 limitation, to the effect that the bank may "lend" an  
18 additional amount of its capital and surplus to the same  
19 customer if certain conditions exist. These conditions  
20 generally require that there be collateral for the additional  
21 "indebtedness", or that other factors exist which tend to  
22 reduce the risk involved in extending credit to customers  
23 who are financially interdependent.

24 Section 14 of the bill would amend subsection 2 of that  
25 section to provide that if the indebted customer is a bank,  
26 the state bank can lend an additional twenty percent of its  
27 capital and surplus if the obligations representing the  
28 additional twenty percent are repayable within one business  
29 day after demand by the state bank. This provision would  
30 enable a state bank to lend its unneeded reserve funds without  
31 collateral on a day-to-day basis to other banks which otherwise  
32 are indebted to the state bank for the maximum amount permitted  
33 under subsection 2 of section 524.904.

34 Section 15 amends paragraph d of subsection 2. That  
35 paragraph presently authorizes a state bank to lend up to

1 twenty percent of its capital and surplus to an individual  
2 and up to twenty percent more of its capital and surplus to  
3 corporations which are owned and controlled by the individual,  
4 if the assets of the corporation are not relied up by the  
5 bank is deciding whether or not to extend credit to the  
6 individual. The amendment would authorize a state bank to  
7 credit to a corporation which owns or controls other  
8 corporations which are indebted to the bank to the same extent  
9 credit can be extended to an individual.

10 Section 16 of the bill amends subsection 4 of section  
11 524.904. That subsection contains a series of "obligations"  
12 which are exempt for purposes of determining whether the sum  
13 of the obligations of any customer are within the maximum  
14 limits specified in subsection 2 of that section. Section  
15 16 adds another exempt category, being obligations of a  
16 corporation which the customer has endorsed or guaranteed,  
17 if, under rules promulgated by the superintendent, the  
18 financial conditions of the customer and of the corporation  
19 are adequate to secure the debts of both.

20 Sections 17, 18 and 20 increase the maximum time or maximum  
21 amount of certain real property loans which may be made by  
22 state banks.

23 Section 19 would permit a state bank to accept a policy  
24 of title insurance on property securing a loan and located  
25 in a state where title insurance is legal. Existing law  
26 requires a title opinion of an Iowa attorney, even on real  
27 estate located in another state.

28 Section 21 authorizes state banks to make loans secured  
29 by graduated payment mortgages, variable rate mortgages or  
30 reverse annuity mortgages.

31 Graduated payment mortgages allow gradually increasing  
32 payments during the early years on a loan so that the initial  
33 payments may be lower than would otherwise be possible at  
34 a given interest rate. The rate of increase is limited, based  
35 on the number of years the payments may be increased and

1 payments could not be changed more often than once each year.

2 Variable rate mortgages provide for a rate of interest  
3 which fluctuates in direct relation to a reference index.  
4 This section would authorize such loans, subject to the  
5 following limitations or conditions: The interest rate could  
6 not be adjusted more than once each year; the borrower would  
7 have a limited option of extending the term of the loan in  
8 lieu of making larger payments; the rate could not be increased  
9 more than one-half of one percentage point in any one year;  
10 and the maximum increase during the life of the loan would  
11 be two and one-half percentage points.

12 Reverse annuity mortgages loans provide for periodic  
13 payments to the borrower, rather than the typical lump-sum  
14 payment of loan proceeds. When the loan matures, the borrower  
15 repays the outstanding balance of principal and accrued  
16 interest. This section would authorize these loans, subject  
17 to the following conditions or limitations: The bank would  
18 obtain prior approval of the general terms and conditions  
19 to be used in these mortgages; the loan could be prepaid at  
20 any time without penalty; the lender would advise a prospective  
21 borrower of all conditions within the contract which could  
22 result in a foreclosure of the property; and the interest  
23 rate must be fixed.

24 Except with respect to the length of terms and amortization,  
25 these loans could be subject to other provisions of chapter  
26 regulating loans by banks on real property.

27 The bill would take effect July first following its  
28 enactment.

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1 Amend House File 649 as follows:

2 1. Page 1, by inserting before line 1 the  
3 following:

4 "Sec. \_\_\_\_\_. Section five hundred twenty-four point  
5 two hundred eleven (524.211), subsections one (1)  
6 and two (2), Code 1979, is amended to read as follows:

7 1. No sum of money or property, as a gift or loan,  
8 or otherwise, shall be given or granted, directly  
9 or indirectly by a state bank, or by persons subject  
10 to chapters 533, 533A, 533B, 536, 536A, or any  
11 affiliate of a state bank or of such persons, or any  
12 director, officer, employee, member, owner, or partner  
13 of a state bank or of such persons, to the  
14 superintendent, deputy superintendent, an assistant  
15 or examiner, nor shall the superintendent, deputy  
16 superintendent, an assistant or examiner receive from  
17 a state bank or from persons subject to chapters 533,  
18 533A, 533B, 536, and 536A, or any affiliate of a state  
19 bank or of such persons, or any director, officer,  
20 employee, member, owner, or partner of a state bank  
21 or of such persons, any sum of money or any property  
22 as a gift or loan, or otherwise, either directly or  
23 indirectly.

24 2. The deputy superintendent, any assistant or  
25 examiner, shall not perform any services for, nor  
26 be a shareholder, member, partner, owner, director,  
27 officer or employee of any bank or private bank, or  
28 of persons subject to chapters 533, 533A, 533B, 536,  
29 or 536A, or of any affiliate of any bank, private  
30 bank or of any such persons. A violation of this  
31 subsection shall constitute grounds for discharge  
32 or suspension from employment or for reduction in  
33 rank or grade.

34 Sec. \_\_\_\_\_. Section five hundred twenty-four point  
35 two hundred twelve (524.212), Code 1979, is amended  
36 to read as follows:

37 524.212 PROHIBITION AGAINST DISCLOSURE. An  
38 examiner shall not disclose to any person, other than  
39 the superintendent, deputy superintendent, and the  
40 person examined, the name of any shareholder, member,  
41 partner, owner of, or borrower from, or disclose the  
42 nature of the collateral for any loan by any state  
43 bank or persons subject to chapters 533, 533A, 533B,  
44 536, and 536A, or any affiliate of any state bank  
45 or of any such persons, or any other information  
46 relating to the business of any state bank or of any  
47 such persons, or any affiliate of any state bank or  
48 of any such persons, except when ordered to do so  
49 by a court of competent jurisdiction and then only  
50 in those instances referred to in subsections 1, 2,

Page Two

H-3449

1 and 3 of section 524.215."

H-3449 FILED *Adopted 3/16 (p. 995)*  
MARCH 15, 1979

BY SCHROEDER of Pottawattamie  
EVANS of Grundy  
CHIODO of Polk

H-3257

HOUSE FILE 649

- 1 Amend House File 649 as follows:
- 2 1. By striking page 13, line 15, through page
- 3 16, line 7.

H-3257 FILED *Adopted 3/16 (p. 995)*  
FEBRUARY 27, 1979

BY SCHROEDER of Pottawattamie

HOUSE FILE 649

H-3354

- 1 Amend House File 649 as follows:
- 2 1. Page 7, by striking lines 19 through 35.
- 3 2. Page 8, by striking lines 1 through 30.

H-3354 FILED *Adopted 3/16 (p. 995)*  
MARCH 8, 1979

BY EVANS of rundy  
CHIDO of Polk  
SCHROEDER of Pottawattamie

*See*

Commerce  
Holden, Chairperson  
Bergman  
Robinson

HOUSE FILE 649

By COMMITTEE ON COMMERCE.

(As Amended and Passed by the House)

*Amend per 330 Do Pass 3/28*

Passed House, Date 4-30-79 (p. 1907) Passed Senate, Date 4-6-79 (p. 1122)

Vote: Ayes 85 Nays 0 Vote: Ayes 41 Nays 3

Approved June 8 1979  
*Repassed Senate or further amended 5-3-79 (1523)*  
45-2

# A BILL FOR

1 An Act to amend Iowa Banking Act provisions regarding state  
2 bank reports of condition, directors' qualifications,  
3 incorporation procedures, reserve requirements, property  
4 ownership, interest payments and loans.

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

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\_\_\_\_\_ House Amendments  
\* Stricken Language

1 Section 1. Section five hundred twenty-four point two  
2 hundred eleven (524.211), subsections one (1) and two (2),  
3 Code 1979, is amended to read as follows:

4 1. No sum of money or property, as a gift or loan, or  
5 otherwise, shall be given or granted, directly or indirectly  
6 by a state bank, or by persons subject to chapters 533, 533A,  
7 533B, 536, 536A, or any affiliate of a state bank or of such  
8 persons, or any director, officer, employee, member, owner,  
9 or partner of a state bank or of such persons, to the  
10 superintendent, deputy superintendent, an assistant or  
11 examiner, nor shall the superintendent, deputy superintendent,  
12 an assistant or examiner receive from a state bank or from  
13 persons subject to chapters 533, 533A, 533B, 536, and 536A,  
14 or any affiliate of a state bank or of such persons, or any  
15 director, officer, employee, member, owner, or partner of  
16 a state bank or of such persons, any sum of money or any  
17 property as a gift or loan, or otherwise, either directly  
18 or indirectly.

19 2. The deputy superintendent, any assistant or examiner,  
20 shall not perform any services for, nor be a shareholder,  
21 member, partner, owner, director, officer or employee of any  
22 bank or private bank, or of persons subject to chapters 533,  
23 533A, 533B, 536, or 536A, or of any affiliate of any bank,  
24 private bank or of any such persons. A violation of this  
25 subsection shall constitute grounds for discharge or suspension  
26 from employment or for reduction in rank or grade.

27 Sec. 2. Section five hundred twenty-four point two hundred  
28 twelve (524.212), Code 1979, is amended to read as follows:

29 524.212 PROHIBITION AGAINST DISCLOSURE. An examiner shall  
30 not disclose to any person, other than the superintendent,  
31 deputy superintendent, and the person examined, the name of  
32 any shareholder, member, partner, owner of, or borrower from,  
33 or disclose the nature of the collateral for any loan by any  
34 state bank or persons subject to chapters 533, 533A, 533B,  
35 536, and 536A, or any affiliate of any state bank or of any

1 such persons, or any other information relating to the business  
2 of any state bank or of any such persons, or any affiliate  
3 of any state bank or of any such persons, except when ordered  
4 to do so by a court of competent jurisdiction and then only  
5 in those instances referred to in subsections 1, 2, and 3  
6 of section 524.215.

7 Sec. 3. Section five hundred twenty-four point two hundred  
8 twenty (524.220), subsection two (2), Code 1979, is amended  
9 to read as follows:

10 2. The statement shall be transmitted to the superintendent  
11 within ~~ten~~ thirty days after the receipt of a request for  
12 the statement from the superintendent. A statement shall  
13 be called for by the superintendent at least three times each  
14 year.

15 Sec. 4. Section five hundred twenty-four point two hundred  
16 twenty (524.220), subsection three (3), Code 1979, is amended  
17 to read as follows:

18 3. Within ~~twenty~~ forty days after the date of the receipt  
19 of the request for a statement of condition, the state bank  
20 shall cause the statement to be published once in a newspaper  
21 of general circulation in the municipal corporation or  
22 unincorporated area in which the state bank has its principal  
23 place of business, or if there is none, in a newspaper of  
24 general circulation published in the county, or in a county  
25 adjoining the county, in which the state bank has its principal  
26 place of business. Proof of such publication by affidavit  
27 of the publisher of the newspaper in which it was made, shall  
28 be delivered to the superintendent and shall be conclusive  
29 evidence of the fact.

30 Sec. 5. Section five hundred twenty-four point three  
31 hundred four (524.304), Code 1979, is amended to read as  
32 follows:

33 524.304 PUBLICATION OF NOTICE. The incorporators of a  
34 state bank shall publish notice of their intention to deliver,  
35 or the delivery of, the articles of incorporation to the

1 superintendent, once each week for two successive weeks in  
2 a newspaper of general circulation published in the municipal  
3 corporation which is proposed as the principal place of  
4 business of the state bank, or if there is none, a newspaper  
5 of general circulation published in the county, or in a county  
6 adjoining the county, in which the proposed state bank is  
7 to have its principal place of business. The first publication  
8 of the notice shall appear prior to, or within ~~seven~~ ten (10)  
9 days after, the date of delivery of the articles of  
10 incorporation to the superintendent and shall set forth:

11 1. The name of the proposed state bank.

12 2. A statement that it is to be incorporated under this  
13 chapter.

14 3. The purpose or purposes of the state bank.

15 4. The names and addresses of the incorporators and of  
16 the members of the initial board of directors as they appear,  
17 or will appear, in the articles of incorporation.

18 5. The date of the delivery of the articles of  
19 incorporation to the superintendent.

20 6. If the incorporation of the state bank has been approved  
21 by the superintendent under section five hundred twenty-four  
22 point three hundred five (524.305), subsection six (6), the  
23 name and address of the bank with which the state bank will  
24 have merged or consolidated, or the assets of which the state  
25 bank will have acquired or the condition of which in some  
26 other way provided a purpose for the incorporation.

27 Sec. 6. Section five hundred twenty-four point three  
28 hundred five (524.305), Code 1979, is amended to read as  
29 follows:

30 524.305 APPROVAL BY SUPERINTENDENT.

31 1. Upon receipt of an application for approval of a state  
32 bank the superintendent shall conduct such investigation as  
33 he deems necessary to ascertain whether:

34 1 a. The articles of incorporation and supporting items  
35 satisfy the requirements of this chapter.

1     2 b. The convenience and needs of the public will be  
2 served by the proposed state bank.

3     3 c. The population density or other economic  
4 characteristics of the area primarily to be served by the  
5 proposed state bank afford reasonable promise of adequate  
6 support for the state bank.

7     4 d. The character and fitness of the incorporators and  
8 of the members of the initial board of directors are such  
9 as to command the confidence of the community and to warrant  
10 the belief that the business of the proposed state bank will  
11 be honestly and efficiently conducted.

12    5 e. The capital structure of the proposed state bank  
13 is adequate in relation to the amount of the anticipated  
14 business of the state bank and the safety of prospective  
15 depositors.

16    6 f. The proposed state bank will have sufficient personnel  
17 with adequate knowledge and experience to conduct the business  
18 of the state bank, and to administer fiduciary accounts, if  
19 the state bank is to be authorized to act in a fiduciary  
20 capacity.

21    2. Within one hundred eighty days after receipt of the  
22 application for approval together with the items referred  
23 to in section 524.303, subsections 1 and 2, the superintendent  
24 shall make a determination whether to approve or disapprove  
25 the pending application on the basis of his investigation.

26    3. Within ninety days after the second publication of  
27 the notice referred to in section 524.304 any person opposing  
28 the pending application shall file written objections thereto  
29 with the superintendent. Following the expiration of the  
30 period referred to in the previous sentence and prior to  
31 making a determination on the pending application the  
32 superintendent shall, upon adequate notice, afford all  
33 interested persons, including the incorporators, an opportunity  
34 for a stenographically reported hearing during which such  
35 persons shall be allowed to present evidence in support of,

1 or in opposition to, the pending application.

2 4. If the superintendent approves the pending application,  
3 he shall deliver the articles of incorporation, with his  
4 approval indicated thereon, to the secretary of state and  
5 notify the incorporators, and such other persons who requested  
6 in writing that they be notified, of such approval. If the  
7 superintendent disapproves the pending application he shall  
8 notify the incorporators of his action and the reason for  
9 his decision.

10 5. The actions of the superintendent shall be subject  
11 to judicial review in accordance with the terms of the Iowa  
12 administrative procedure Act. The court may award damages  
13 to the incorporators if it finds that review is sought  
14 frivolously and in bad faith.

15 6. Subsection three (3) of this section shall not apply  
16 if the superintendent finds that one of the purposes of the  
17 proposed state bank is the merger or consolidation with, or  
18 the purchase of some or all of the assets of and assumption  
19 of some or all of the liabilities of, a bank for which a  
20 receiver has been appointed or which has been ordered, by  
21 authorities of this state or the United States, to cease to  
22 carry on its business, or if the superintendent finds for  
23 any other reason that immediate action on the pending  
24 application is advisable in order to protect the interests  
25 of depositors or the assets of any other bank.

26 7. Before receiving the decision of the superintendent  
27 with respect to the pending application the incorporators  
28 shall, upon notice, reimburse the superintendent to the extent  
29 of the expenses incurred by him in connection with the  
30 application.

31 Sec. 7. Section five hundred twenty-four point three  
32 hundred seven (524.307), Code 1979, is amended to read as  
33 follows:

34 524.307 ORGANIZATIONAL MEETING. After the issuance of  
35 the certificate of incorporation of a state bank, an

1 organizational meeting of the board of directors named in  
 2 the articles of incorporation shall be held at the call of  
 3 a majority of the incorporators for the purpose of adopting  
 4 bylaws, if any are to be adopted, electing officers and the  
 5 transaction of such other business as may properly come before  
 6 the meeting. The incorporators calling the meeting shall  
 7 give at least three days' notice thereof by mail to each  
 8 director so named, except that any form of actual notice or  
 9 written waiver thereof shall be sufficient in the case of  
 10 a state bank approved under the provisions of section five  
 11 hundred twenty-four point three hundred five (524.305),  
 12 subsection six (6). which A notice shall state the time and  
 13 place of the meeting.

14 Sec. 8. Section five hundred twenty-four point three  
 15 hundred twelve (524.312), Code 1979, is amended by adding  
 16 the following new subsection:

17 NEW SUBSECTION. A state bank approved under the provisions  
 18 of section five hundred twenty-four point three hundred five  
 19 (524.305), subsection six (6), shall not commence its business  
 20 at any location other than within a municipal corporation  
 21 or unincorporated area in which was located the principal  
 22 place of business or an office of the bank whose condition  
 23 was the basis for the superintendent authorizing incorporation  
 24 of the new state bank.

25 Sec. 9. Section five hundred twenty-four point six hundred  
 26 one (524.601), subsection one (1), Code 1979, is amended to  
 27 read as follows:

28 1. The business and affairs of a state bank shall be  
 29 managed by a board of five or more directors eighteen years  
 30 of age or older, a majority of whom shall be citizens of this  
 31 state and all of whom shall be citizens of the United States.  
 32 ~~No individual shall be eligible to serve as a director of~~  
 33 ~~any state bank unless he is the owner, in his own right, free~~  
 34 ~~of any lien and encumbrance, of common shares in the state~~  
 35 ~~bank of which he is a director having a par value of not less~~

1 ~~than-five-hundred-dollars-~~

2 Sec. 10. Section five hundred twenty-four point six hundred  
3 twelve (524.612), subsection one (1), Code 1979, is amended  
4 to read as follows:

5 1. The total obligations, as defined in subsection 1 of  
6 section 524.904, of a director to a state bank of which he  
7 is a director shall not exceed twenty percent of the capital  
8 and surplus of the state bank except that the total obligations  
9 of a director to a state bank of which he is a director shall  
10 not exceed forty percent of the capital and surplus of the  
11 state bank if the amount by which such obligations exceed  
12 twenty percent of the capital and surplus of the state bank  
13 shall consist of obligations described in ~~subparagraphs-(1),~~  
14 ~~(2),-and-(3)-of~~ paragraph "a" of subsection 2 of section  
15 524.904. A majority of the board of directors, voting in  
16 the absence of the applying director, shall give its prior  
17 approval to any obligation, as defined in subsection 1 of  
18 section 524.904, of a director to the state bank of which  
19 he is a director. The form of such approval shall be specified  
20 by the superintendent, and a copy recorded in the minutes  
21 of the board of directors.

22 Sec. 11. Section five hundred twenty-four point seven  
23 hundred six (524.706), subsection one (1), paragraph a, Code  
24 1979, is amended to read as follows:

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

30 (1) Such amount as the bank is permitted to lend pursuant  
31 to section 524.905, subsection 2, if, at the time such  
32 obligations is incurred, it is secured by a first lien on  
33 a dwelling which is expected, after the obligation is incurred,  
34 to be owned by the executive officer and used by him as his  
35 residence, provided that at the time the loan is made there

1 is no other loan by the bank to the executive officer, under  
2 authority of this subparagraph, outstanding; and

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

7 (3) Any other loans or extensions of credit which in  
8 aggregate do not at any one time exceed ~~five~~ ten thousand  
9 dollars.

10 *3421* Sec. 12. Section five hundred twenty-four point eight  
11 hundred three (524.803), subsection two (2), Code 1979, is  
12 amended to read as follows:

13 2. The book value of all real and personal property  
14 acquired and held pursuant to this section, of all alterations  
15 to buildings on real property owned or leased by a state bank,  
16 of all shares in corporations acquired pursuant to paragraphs  
17 "c" and "d" of subsection 1 of this section, and of any and  
18 *3308* all obligations of such corporations to the state bank, shall  
19 not exceed ~~twenty-five~~ fifty percent of the capital, and  
20 surplus and undivided profits of the state bank or such larger  
21 amount as may be approved by the superintendent.

22 Sec. 13. Section five hundred twenty-four point eight  
23 *3416* hundred five (524.805), subsection two (2), Code 1979, is  
24 repealed.

25 *34* *street* *Ex. 15* \* Sec. 15. Section five hundred twenty-four point nine  
26 hundred one (524.901), subsection two (2), Code 1979, is  
27 amended to read as follows:

28 2. A state bank may invest for its own account in other  
29 readily marketable bonds or securities, with investment  
30 characteristics as defined by the superintendent by general  
31 regulation applicable to all state banks, subject to the  
32 following limitations:

33 a. The total amount of such bonds or securities of any  
34 one issuer or obligor, other than revenue or improvement bonds  
35 issued by a municipality ~~pursuant to section 419-2~~ and

1 subjected to separate investment limits under paragraphs "b",  
2 "c", or "d" of this subsection, shall not exceed twenty percent  
3 of the capital and surplus of the state bank.

4 b. The total amount of special assessment improvement  
5 or refunding bonds which have been issued by a municipality  
6 under authority of section three hundred eighty-four point  
7 sixty-eight (384.68) and which are repayable from the proceeds  
8 of any one levy shall not exceed twenty percent of the capital  
9 and surplus of the state bank.

10 c. The total amount of revenue bonds and pledge orders  
11 which have been issued by a municipality under authority of  
12 chapter three hundred eighty-four (384), division five (V),  
13 and which are repayable from the revenues of any one city  
14 utility, combined utility system, city enterprise or combined  
15 city enterprise shall not exceed twenty percent of the capital  
16 and surplus of the state bank.

17 d. The total amount of revenue bonds issued by a  
18 municipality pursuant to section 419.2 which have been issued  
19 on behalf of any one lessee, as defined in section 419.1,  
20 or which are guaranteed by any one guarantor, or which are  
21 issued on behalf of or guaranteed by a corporation, a ten  
22 percent or greater ownership interest in which is held by  
23 or in common with a ~~lessee~~ lessee or guarantor, or any  
24 combination of the foregoing whereby the municipality could  
25 receive revenues for payment of such bonds from any one person  
26 or any group of persons under common control, shall not exceed  
27 twenty percent of the capital and surplus of the state bank.

28 e. A state bank shall obtain the express consent of the  
29 superintendent prior to investment by that bank of an amount  
30 in excess of twenty percent of its capital and surplus in  
31 bonds or securities issued by any one municipality, regardless  
32 of the sources of funds proposed for repayment of the various  
33 bonds or securities.

34 e f. No bond or security shall be eligible for investment  
35 by a state bank within this subsection if the bond or security

1 has been in default either as to principal or interest at  
2 any time within five years prior to the date of purchase.

3 Sec. 16. Section five hundred twenty-four point nine  
4 hundred four (524.904), subsection two (2), paragraph a, Code  
5 1979, is amended by adding the following new subparagraph:

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6 NEW SUBPARAGRAPH. Obligations of a customer which is a  
7 bank, to the extent the obligations are repayable on demand  
8 or on the first business day following demand for repayment.

9 Sec. 17. Section five hundred twenty-four point nine  
10 hundred four (524.904), subsection two (2), paragraph d, Code  
11 1979, is amended to read as follows:

12 d. The total obligations of any one customer, ~~who~~ which  
13 is an individual or a corporation, to a state bank at any  
14 one time shall not exceed forty percent of the capital and  
15 surplus of the state bank if all of the amount by which such  
16 obligations exceed twenty percent of the capital and surplus  
17 of the state bank consists of amounts owed by one or more  
18 corporations of which the customer owns or controls more than  
19 fifty percent of the shares entitled to vote, or, if the  
20 customer is a corporation, of amounts owed by another  
21 corporation which owns or controls more than fifty percent  
22 of the shares of the customer entitled to vote, or of amounts  
23 owed by one or more other corporations more than fifty percent  
24 of the voting shares of each of which are owned or controlled  
25 by a person which also owns or controls more than fifty percent  
26 of the shares of the customer entitled to vote, provided  
27 however, when this paragraph applies:

28 (1) The amounts owed by such customer shall not exceed  
29 twenty percent of the capital and surplus of the state bank.

30 (2) The amounts owed by any one or all of ~~such~~ the  
31 corporations other than the customer shall not exceed twenty  
32 percent of the capital and surplus of the state bank.

33 (3) The shares, assets and any liabilities of any such  
34 corporation other than the customer shall not be included  
35 in the financial statement of such customer or otherwise

1 relied upon as a basis for a loan to such customer.

2 (4) The assets or guarantee of such customer shall not  
3 be relied upon as a basis for a loan to any such corporation.

4 (5) The proceeds of the amounts owed by the customer shall  
5 not be intermingled with or used for a common purpose with  
6 the proceeds of the amounts owed by the corporation or  
7 corporations other than the customer.

8 For the purposes of this paragraph, the term "amounts owed"  
9 means the amounts for the payment of which such customer or  
10 any one or all such corporations are obligated, whether  
11 directly or indirectly, primarily or secondarily, to a state  
12 bank as a result of the exercise by the state bank of the  
13 powers conferred by section 524.902, but determined without  
14 reference to paragraphs "e", "f" and "g" of subsection 1 of  
15 this section.

16 Sec. 18. Section five hundred twenty-four point nine  
17 hundred four (524.904), subsection four (4), Code 1979, is  
18 amended by adding the following new paragraph:

19 NEW PARAGRAPH. Obligations of a customer as endorser or  
20 guarantor for a corporation in which that customer owns or  
21 controls more than fifty percent of the shares entitled to  
22 vote, provided that under rules promulgated by the  
23 superintendent the customer and the corporation qualify as  
24 separate customers because the assets and the demonstrated  
25 ability to generate income of the corporation and the customer  
26 taken together are adequate to secure and fund all outstanding  
27 and contemplated debt of the corporation and the customer.

28 Sec. 19. Section five hundred twenty-four point nine  
29 hundred five (524.905), subsection one (1), Code 1979, is  
30 amended to read as follows:

31 1. A state bank may make permanent loans or combined  
32 construction and permanent loans, secured by liens on  
33 residential real property housing more than two families,  
34 and on real property consisting of farmland, industrial,  
35 manufacturing and commercial properties including a leasehold

1 in such properties. Any such loan may be made in an amount  
2 not to exceed seventy-five percent of the appraised value  
3 of the property offered as security and for a term not longer  
4 than ~~twenty~~ twenty-five (25) years, provided that the loan  
5 is secured by an amortized mortgage, deed of trust or other  
6 such instrument under the terms of which the installment  
7 payments are sufficient to amortize the entire principal of  
8 the loan within a period of not more than ~~twenty~~ twenty-five  
9 (25) years. In the case of a combined construction and  
10 permanent loan made pursuant to this subsection, the amount  
11 of the loan shall not exceed seventy-five percent of the value  
12 of the property upon completion of the construction.

13 Sec. 20. Section five hundred twenty-four point nine  
14 hundred five (524.905), subsection three (3), paragraph c,  
15 Code 1979, is amended to read as follows:

16 c. Financing the acquisition and development of unimproved  
17 real property if the maturity of any such loan does not exceed  
18 three years from the date thereof and the amount of any such  
19 loan does not exceed ~~one-half~~ seventy-five (75) percent of  
20 the cost of the real property acquired for development plus  
21 ~~one-half~~ seventy-five (75) percent of the cost of development  
22 exclusive of the cost of construction of buildings.

23 Sec. 21. Section five hundred twenty-four point nine  
24 hundred five (524.905), subsection five (5), paragraph f,  
25 Code 1979, is amended to read as follows:

26 f. The state bank shall obtain either a written opinion  
27 by an attorney admitted to practice in Iowa stating that the  
28 mortgage, deed of trust or similar instrument is a first lien  
29 on the real property, or a loan policy of title insurance  
30 written by an insurance company licensed to do business in  
31 the state in which the real property is located insuring the  
32 title to the real property and the validity and enforceability  
33 of the mortgage, deed of trust or similar instrument as a  
34 first lien on the real property.

35 Sec. 22. Section five hundred twenty-four point nine

1 hundred five (524.905), subsection six (6), paragraph e,  
2 subparagraph three (3), Code 1979, is amended to read as  
3 follows:

4 (3) On a financially responsible lessee of the real  
5 property provided that the lease shall be assigned to the  
6 state bank and the lease by its terms shall be sufficient  
7 to amortize the entire principal of the loan within a period  
8 of not more than ~~twenty~~ twenty-five (25) years.

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HOUSE FILE 649

S-3308

1 Amend House File 649 as amended, passed and  
2 reprinted by the House as follows:  
3 1. Page 8, line 19, by striking the words "twenty-  
4 ~~five fifty~~" and inserting in lieu thereof the word  
5 "twenty-five".

S-3308 FILED *Adopted 4/6*  
MARCH 28, 1979 *(p. 1119)*

BY COMMITTEE ON COMMERCE  
EDGAR H. HOLDEN, CHAIRPERSON

HOUSE FILE 649

S-3326

1 Amend House File 649 as amended, passed and re-  
2 printed by the House as follows:  
3 1. Page 10, by striking lines 3 through 8 and  
4 inserting in lieu thereof the following:  
5 "Sec. \_\_\_\_\_. Section five hundred twenty-four point  
6 nine hundred four (524.904), subsection four (4),  
7 Code 1979, is amended by striking paragraph g and  
8 inserting in lieu thereof the following:  
9 g. Obligations of a customer which is a bank to  
10 the extent the obligations are repayable on demand  
11 or on the first business day following demand for  
12 repayment."

S-3326 FILED - *Adopted 4/6 (p. 1120)* BY EDGAR H. HOLDEN  
MARCH 29, 1979

HOUSE FILE 649

S-3416

1 Amend House File 649 as amended, passed, and  
2 reprinted by the House as follows:  
3 1. Page 8, by striking lines 22 through 24  
4 and inserting in lieu thereof the following:  
5 "Sec. 13. Section five hundred twenty-four  
6 point eight hundred five (524.805), subsection  
7 two (2), Code 1979, is amended by striking  
8 subsection and inserting in lieu thereof the  
9 following:  
10 "However, interest paid on a demand account  
11 shall not exceed a rate which exceeds the maximum  
12 interest rate which Iowa state banks insured by the  
13 federal deposit insurance corporation are  
14 permitted by federal law to pay on insured passbook  
15 savings account."

S-3416 FILED & ADOPTED *(p. 1120)* BY CLOYD E. ROBINSON  
APRIL 6, 1979

HOUSE FILE 649

S-3419

- 1 Amend House File 649 as amended, passed and
- 2 reprinted by the House as follows:
- 3 1. By striking page 8, line 25 through page 10,
- 4 line 2.

S-3419 FILED & LOST (p. 1120) BY PATRICK J. DELUHERY  
APRIL 6, 1979

HOUSE FILE 649

S-3421

- 1 . Amend House File 649 as amended, passed and
- 2 reprinted by the House as follows:
- 3 1. Page 8, by inserting after line 9 the following:
- 4 "Sec. \_\_\_\_ . Section five hundred twenty-four point
- 5 seven hundred ten (524.710), Code 1979, is amended
- 6 by adding the following new subsection:
- 7 NEW SUBSECTION. Engage on behalf of the bank,
- 8 whether on the premises of the bank or elsewhere,
- 9 in acts or practices for which a license is required
- 10 under chapter one hundred seventeen (117) of the Code.
- 11 However, this subsection does not prohibit the exercise
- 12 of any fiduciary power or duty with respect to property
- 13 which is held by the bank in a fiduciary capacity;
- 14 and this subsection does not apply if the bank is
- 15 located in a city having a populatin of one thousand
- 16 or less."

S-3421 FILED  
APRIL 6, 1979  
RULED OUT OF ORDER (p. 1121)

BY ARNE WALDSTEIN  
BOB CARR  
SUE YENGER  
CLOYD ROBINSON

H-4043

1 Amend the Senate amendment, H-3825, to House File  
 2 649 as amended, passed and reprinted by the House  
 3 as follows:  
 4 1. Page 1, by inserting after line 16 the  
 5 following:  
 6 "\_\_\_\_. Page 8, by inserting after line 24 the  
 7 following:  
 8 "Sec. \_\_\_\_\_. Section five hundred twenty-four point  
 9 eight hundred fourteen (524.814), subsection one (1),  
 10 Code 1979, is amended to read as follows:  
 11 1. To secure deposits when a customer is required  
 12 to obtain such security by the laws of the United  
 13 States, by any agency or instrumentality of the United  
 14 States, by the laws of the state of Iowa, by the state  
 15 board of regents, by a resolution or ordinance relating  
 16 to the issuance of bonds, by the terms of any  
 17 interstate compact or by order of any court of  
 18 competent jurisdiction."  
 19 2. By renumbering paragraphs of the amendment  
 20 in conformity with this amendment.

H-4043 FILED *Adopted 4/26 (p. 1844)* BY SCHROEDER of Pottawattamie  
 APRIL 20, 1979 CHIODO of Polk

SENATE AMENDMENT TO  
 HOUSE FILE 649

H-3825

1 Amend House File 649 as amended, passed and  
 2 reprinted by the House as follows:  
 3 *4043* 1. Page 8, line 19, by striking the words "twenty-  
 4 five fifty" and inserting in lieu thereof the words  
 5 "twenty-five".  
 6 2. Page 8, by striking lines 22 through 24 and  
 7 inserting in lieu thereof the following:  
 8 "Sec. 13. Section five hundred twenty-four point  
 9 eight hundred five (524.805), subsection two (2),  
 10 Code 1979, is amended by striking the subsection and  
 11 inserting in lieu thereof the following:  
 12 However, interest paid on a demand account shall  
 13 not exceed a rate which exceeds the maximum interest  
 14 rate which Iowa state banks insured by the federal  
 15 deposit insurance corporation are permitted by federal  
 16 law to pay on insured passbook savings accounts."  
 17 *4043* 3. Page 10, by striking lines 3 through 8 and  
 18 inserting in lieu thereof the following:  
 19 "Sec. \_\_\_\_\_. Section five hundred twenty-four point  
 20 nine hundred four (524.904), subsection four (4),  
 21 Code 1979, is amended by striking paragraph g and  
 22 inserting in lieu thereof the following:  
 23 g. Obligations of a customer which is a bank to  
 24 the extent the obligations are repayable on demand  
 25 or on the first business day following demand for  
 26 repayment."

H-3825 FILED  
 APRIL 10, 1979

RECEIVED FROM THE SENATE  
*House amended & Concurred 4/30 (p. 1907)*

HOUSE FILE 649

H-4048

1 Amend the Senate amendment, H-3825, to House File  
2 649 as amended, passed and reprinted by the House  
3 as follows:

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

6 "\_\_\_\_\_. Page 1, by inserting before line 1 the  
7 following:

8 "Section 1. Chapter three hundred twenty-one (321),  
9 Code 1979, is amended by adding the following new  
10 section:

11 NEW SECTION. SEMITRAILER RETAIL INSTALLMENT  
12 CONTRACT--FINANCE CHARGES. Notwithstanding the  
13 provisions of any other law, a retail installment  
14 contract or agreement for the sale of a semitrailer  
15 may include a finance charge not in excess of the  
16 following rates:

17 Class 1. Any new semitrailer designated by the  
18 manufacturer by a year model not earlier than the  
19 year in which the sale is made, an amount equivalent  
20 to one and one-fourth percent per month simple interest  
21 on the declining balance of the amount financed.

22 Class 2. Any new semitrailer not in Class 1 and  
23 any used semi-trailer designated by the manufacturer  
24 by a year model of the same or not more than two years  
25 prior to the year in which the sale is made, an amount  
26 equivalent to one and three-fourths percent per month  
27 simple interest on the declining balance of the amount  
28 financed.

29 Class 3. Any used semitrailer not in Class 2 and  
30 designated by the manufacturer by a year model more  
31 than two years prior to the year in which the sale  
32 is made, an amount equivalent to two and one-fourth  
33 percent per month simple interest on the declining  
34 balance of the amount financed.

35 Amount financed shall be as defined in section  
36 five hundred thirty-seven point one thousand three  
37 hundred one (537.1301) of the Code."

H-4048 FILED *Adopted 4/26 (p.1844)* BY O'KANE of Woodbury  
APRIL 20, 1979

SENATE CLIP SHEET

MAY 3, 1979

HOUSE AMENDMENT TO SENATE AMENDMENT TO HOUSE FILE 649

S-3676

1 Amend the Senate amendment, H-3825, to House File 649  
2 as amended, passed and reprinted by the House as  
3 follows:

4 1. Page 1, by inserting after line 2 the following:  
5 " . Page 1, by inserting before line 1 the  
6 following:

7 "Section 1. Chapter three hundred twenty-one  
8 (321), Code 1979, is amended by adding the following  
9 new section:

10 NEW SECTION. SEMITRAILER RETAIL INSTALLMENT  
11 CONTRACT--FINANCE CHARGES. Notwithstanding the  
12 provisions of any other law, a retail installment  
13 contract or agreement for the sale of a semitrailer  
14 may include a finance charge not in excess of the  
15 following rates:

16 Class 1. Any new semitrailer designated by the  
17 manufacturer by a year model not earlier than the  
18 year in which the sale is made, an amount equivalent  
19 to one and one-fourth percent per month simple interest  
20 on the declining balance of the amount financed.

21 Class 2. Any new semitrailer not in Class 1 and  
22 any used semi-trailer designated by the manufacturer  
23 by a year model of the same or not more than two years  
24 prior to the year in which the sale is made, an amount  
25 equivalent to one and three-fourths percent per month  
26 simple interest on the declining balance of the amount  
27 financed.

28 Class 3. Any used semitrailer not in Class 2 and  
29 designated by the manufacturer by a year model more  
30 than two years prior to the year in which the sale  
31 is made, an amount equivalent to two and one-fourth  
32 percent per month simple interest on the declining  
33 balance of the amount financed.

34 Amount financed shall be as defined in section  
35 five hundred thirty-seven point one thousand three  
36 hundred one (537.1301) of the Code."

37 2. Page 1, by inserting after line 16 the  
38 following:

39 " . Page 8, by inserting after line 24 the  
40 following:

41 "Sec. . Section five hundred twenty-four point  
42 eight hundred fourteen (524.814), subsection one (1),  
43 Code 1979, is amended to read as follows:

44 1. To secure deposits when a customer is required  
45 to obtain such security by the laws of the United  
46 States, by any agency or instrumentality of the United  
47 States, by the laws of the state of Iowa, by the state  
48 board of regents, by a resolution or ordinance relating  
49 to the issuance of bonds, by the terms of any  
50 interstate compact or by order of any court of

PAGE 2

1 competent jurisdiction.""

2 3. Renumbering paragraphs of the amendment in  
3 conformity with this amendment.

S-3676 FILED MAY 2, 1979

RECEIVED FROM THE HOUSE

*Senate concurred 5/3*  
*(p. 1523)*

HOUSE FILE 649

AN ACT

TO AMEND IOWA BANKING ACT PROVISIONS REGARDING STATE BANK REPORTS OF CONDITION, DIRECTORS' QUALIFICATIONS, INCORPORATION PROCEDURES, RESERVE REQUIREMENTS, PROPERTY OWNERSHIP, INTEREST PAYMENTS AND LOANS.

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

Section 1. Chapter three hundred twenty-one (321), Code 1979, is amended by adding the following new section:

NEW SECTION. SEMITRAILER RETAIL INSTALLMENT CONTRACT-- FINANCE CHARGES. Notwithstanding the provisions of any other law, a retail installment contract or agreement for the sale of a semitrailer may include a finance charge not in excess of the following rates:

Class 1. Any new semitrailer designated by the manufacturer by a year model not earlier than the year in which the sale is made, an amount equivalent to one and one-fourth percent per month simple interest on the declining balance of the amount financed.

Class 2. Any new semitrailer not in Class 1 and any used semitrailer designated by the manufacturer by a year model of the same or not more than two years prior to the year in which the sale is made, an amount equivalent to one and three-fourths percent per month simple interest on the declining balance of the amount financed.

Class 3. Any used semitrailer not in Class 2 and designated by the manufacturer by a year model more than two years prior to the year in which the sale is made, an amount equivalent to two and one-fourth percent per month simple interest on the declining balance of the amount financed.

Amount financed shall be as defined in section five hundred thirty-seven point one thousand three hundred one (537.1301) of the Code.

Sec. 2. Section five hundred twenty-four point two hundred eleven (524.211), subsections one (1) and two (2), Code 1979, is amended to read as follows:

1. No sum of money or property, as a gift or loan, or otherwise, shall be given or granted, directly or indirectly by a state bank, or by persons subject to chapters ~~533~~, 533A, 533B, 536, 536A, or any affiliate of a state bank or of such persons, or any director, officer, employee, member, owner, or partner of a state bank or of such persons, to the superintendent, deputy superintendent, an assistant or examiner, nor shall the superintendent, deputy superintendent, an assistant or examiner receive from a state bank or from persons subject to chapters ~~533~~, 533A, 533B, 536, and 536A, or any affiliate of a state bank or of such persons, or any director, officer, employee, member, owner, or partner of a state bank or of such persons, any sum of money or any property as a gift or loan, or otherwise, either directly or indirectly.

2. The deputy superintendent, any assistant or examiner, shall not perform any services for, nor be a shareholder, member, partner, owner, director, officer or employee of any bank or private bank, or of persons subject to chapters ~~533~~, 533A, 533B, 536, or 536A, or of any affiliate of any bank, private bank or of any such persons. A violation of this subsection shall constitute grounds for discharge or suspension from employment or for reduction in rank or grade.

Sec. 3. Section five hundred twenty-four point two hundred twelve (524.212), Code 1979, is amended to read as follows:

524.212 PROHIBITION AGAINST DISCLOSURE. An examiner shall not disclose to any person, other than the superintendent, deputy superintendent, and the person examined, the name of any shareholder, member, partner, owner of, or borrower from, or disclose the nature of the collateral for any loan by any state bank or persons subject to chapters ~~533~~, 533A, 533B,

536, and 536A, or any affiliate of any state bank or of any such persons, or any other information relating to the business of any state bank or of any such persons, or any affiliate of any state bank or of any such persons, except when ordered to do so by a court of competent jurisdiction and then only in those instances referred to in subsections 1, 2, and 3 of section 524.215.

Sec. 4. Section five hundred twenty-four point two hundred twenty (524.220), subsection two (2), Code 1979, is amended to read as follows:

2. The statement shall be transmitted to the superintendent within ~~ten~~ thirty days after the receipt of a request for the statement from the superintendent. A statement shall be called for by the superintendent at least three times each year.

Sec. 5. Section five hundred twenty-four point two hundred twenty (524.220), subsection three (3), Code 1979, is amended to read as follows:

3. Within ~~twenty~~ forty days after the date of the receipt of the request for a statement of condition, the state bank shall cause the statement to be published once 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 published in the county, or in a county adjoining the county, in which the state bank has its principal place of business. Proof of such publication by affidavit of the publisher of the newspaper in which it was made, shall be delivered to the superintendent and shall be conclusive evidence of the fact.

Sec. 6. Section five hundred twenty-four point three hundred four (524.304), Code 1979, is amended to read as follows:

524.304 PUBLICATION OF NOTICE. The incorporators of a state bank shall publish notice of their intention to deliver, or the delivery of, the articles of incorporation to the superintendent, once each week for two successive weeks in

a newspaper of general circulation published in the municipal corporation which is proposed as the principal place of business of the state bank, or if there is none, a newspaper of general circulation published in the county, or in a county adjoining the county, in which the proposed state bank is to have its principal place of business. The first publication of the notice shall appear prior to, or within ~~seven~~ ten days after, the date of delivery of the articles of incorporation to the superintendent and shall set forth:

1. The name of the proposed state bank.
2. A statement that it is to be incorporated under this chapter.
3. The purpose or purposes of the state bank.
4. The names and addresses of the incorporators and of the members of the initial board of directors as they appear, or will appear, in the articles of incorporation.
5. The date of the delivery of the articles of incorporation to the superintendent.
6. If the incorporation of the state bank has been approved by the superintendent under section five hundred twenty-four point three hundred five (524.305), subsection six (6), the name and address of the bank with which the state bank will have merged or consolidated, or the assets of which the state bank will have acquired or the condition of which in some other way provided a purpose for the incorporation.

Sec. 7. Section five hundred twenty-four point three hundred five (524.305), Code 1979, is amended to read as follows:

524.305 APPROVAL BY SUPERINTENDENT.

1. Upon receipt of an application for approval of a state bank the superintendent shall conduct such investigation as he deems necessary to ascertain whether:

- 1 a. The articles of incorporation and supporting items satisfy the requirements of this chapter.
- 2 b. The convenience and needs of the public will be served by the proposed state bank.

3 c. The population density or other economic characteristics of the area primarily to be served by the proposed state bank afford reasonable promise of adequate support for the state bank.

4 d. The character and fitness of the incorporators and of the members of the initial board of directors are such as to command the confidence of the community and to warrant the belief that the business of the proposed state bank will be honestly and efficiently conducted.

5 e. The capital structure of the proposed state bank is adequate in relation to the amount of the anticipated business of the state bank and the safety of prospective depositors.

6 f. The proposed state bank will have sufficient personnel with adequate knowledge and experience to conduct the business of the state bank, and to administer fiduciary accounts, if the state bank is to be authorized to act in a fiduciary capacity.

2. Within one hundred eighty days after receipt of the application for approval together with the items referred to in section 524.303, subsections 1 and 2, the superintendent shall make a determination whether to approve or disapprove the pending application on the basis of his investigation.

3. Within ninety days after the second publication of the notice referred to in section 524.304 any person opposing the pending application shall file written objections thereto with the superintendent. Following the expiration of the period referred to in the previous sentence and prior to making a determination on the pending application the superintendent shall, upon adequate notice, afford all interested persons, including the incorporators, an opportunity for a stenographically reported hearing during which such persons shall be allowed to present evidence in support of, or in opposition to, the pending application.

4. If the superintendent approves the pending application, he shall deliver the articles of incorporation, with his approval indicated thereon, to the secretary of state and

notify the incorporators, and such other persons who requested in writing that they be notified, of such approval. If the superintendent disapproves the pending application he shall notify the incorporators of his action and the reason for his decision.

5. The actions of the superintendent shall be subject to judicial review in accordance with the terms of the Iowa administrative procedure Act. The court may award damages to the incorporators if it finds that review is sought frivolously and in bad faith.

6. Subsection three (3) of this section shall not apply if the superintendent finds that one of the purposes of the proposed state bank is the merger or consolidation with, or the purchase of some or all of the assets of and assumption of some or all of the liabilities of, a bank for which a receiver has been appointed or which has been ordered, by authorities of this state or the United States, to cease to carry on its business, or if the superintendent finds for any other reason that immediate action on the pending application is advisable in order to protect the interests of depositors or the assets of any other bank.

7. Before receiving the decision of the superintendent with respect to the pending application the incorporators shall, upon notice, reimburse the superintendent to the extent of the expenses incurred by him in connection with the application.

Sec. 8. Section five hundred twenty-four point three hundred seven (524.307), Code 1979, is amended to read as follows:

524.307 ORGANIZATIONAL MEETING. After the issuance of the certificate of incorporation of a state bank, an organizational meeting of the board of directors named in the articles of incorporation shall be held at the call of a majority of the incorporators for the purpose of adopting bylaws, if any are to be adopted, electing officers and the transaction of such other business as may properly come before the meeting. The incorporators calling the meeting shall

give at least three days' notice thereof by mail to each director so named, except that any form of actual notice or written waiver thereof shall be sufficient in the case of a state bank approved under the provisions of section five hundred twenty-four point three hundred five (524.305), subsection six (6). ~~which~~ A notice shall state the time and place of the meeting.

Sec. 9. Section five hundred twenty-four point three hundred twelve (524.312), Code 1979, is amended by adding the following new subsection:

NEW SUBSECTION. A state bank approved under the provisions of section five hundred twenty-four point three hundred five (524.305), subsection six (6), shall not commence its business at any location other than within a municipal corporation or unincorporated area in which was located the principal place of business or an office of the bank whose condition was the basis for the superintendent authorizing incorporation of the new state bank.

Sec. 10. Section five hundred twenty-four point six hundred one (524.601), subsection one (1), Code 1979, is amended to read as follows:

1. The business and affairs of a state bank shall be managed by a board of five or more directors eighteen years of age or older, a majority of whom shall be citizens of this state and all of whom shall be citizens of the United States. ~~No individual shall be eligible to serve as a director of any state bank unless he is the owner, in his own right, free of any lien and encumbrance, of common shares in the state bank of which he is a director having a par value of not less than five hundred dollars.~~

Sec. 11. Section five hundred twenty-four point six hundred twelve (524.612), subsection one (1), Code 1979, is amended to read as follows:

1. The total obligations, as defined in subsection 1 of section 524.904, of a director to a state bank of which he is a director shall not exceed twenty percent of the capital and surplus of the state bank except that the total obligations

of a director to a state bank of which he is a director shall not exceed forty percent of the capital and surplus of the state bank if the amount by which such obligations exceed twenty percent of the capital and surplus of the state bank shall consist of obligations described in ~~subparagraphs (1), (2), and (3) of~~ paragraph "a" of subsection 2 of section 524.904. A majority of the board of directors, voting in the absence of the applying director, shall give its prior approval to any obligation, as defined in subsection 1 of section 524.904, of a director to the state bank of which he is a director. The form of such approval shall be specified by the superintendent, and a copy recorded in the minutes of the board of directors.

Sec. 12. Section five hundred twenty-four point seven hundred six (524.706), subsection one (1), paragraph a, Code 1979, 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 section 524.904, subsection 1, not exceeding, in the aggregate:

(1) Such amount as the bank is permitted to lend pursuant to section 524.905, subsection 2, if, at the time such obligations 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, 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~~ twenty 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 ~~ten~~ thousand dollars.

Sec. 13. Section five hundred twenty-four point eight hundred three (524.803), subsection two (2), Code 1979, is amended to read as follows:

2. The book value of all real and personal property acquired and held pursuant to this section, of all alterations to buildings on real property owned or leased by a state bank, of all shares in corporations acquired pursuant to paragraphs "c" and "d" of subsection 1 of this section, and of any and all obligations of such corporations to the state bank, shall not exceed twenty-five percent of the capital, and surplus and undivided profits of the state bank or such larger amount as may be approved by the superintendent.

Sec. 14. Section five hundred twenty-four point eight hundred five (524.805), subsection two (2), Code 1979, is amended by striking the subsection and inserting in lieu thereof the following:

2. However, interest paid on a demand account shall not exceed a rate which exceeds the maximum interest rate which Iowa state banks insured by the federal deposit insurance corporation are permitted by federal law to pay on insured passbook savings accounts.

Sec. 15. Section five hundred twenty-four point eight hundred fourteen (524.814), subsection one (1), Code 1979, is amended to read as follows:

1. To secure deposits when a customer is required to obtain such security by the laws of the United States, by any agency or instrumentality of the United States, by the laws of the state of Iowa, by the state board of regents, by a resolution or ordinance relating to the issuance of bonds, by the terms of any interstate compact or by order of any court of competent jurisdiction.

Sec. 16. Section five hundred twenty-four point nine hundred one (524.901), subsection two (2), Code 1979, is amended to read as follows:

2. A state bank may invest for its own account in other readily marketable bonds or securities, with investment characteristics as defined by the superintendent by general

regulation applicable to all state banks, subject to the following limitations:

a. The total amount of such bonds or securities of any one issuer or obligor, other than revenue or improvement bonds issued by a municipality pursuant to section 419.2 and subjected to separate investment limits under paragraphs "b", "c", or "d" of this subsection, shall not exceed twenty percent of the capital and surplus of the state bank.

b. The total amount of special assessment improvement or refunding bonds which have been issued by a municipality under authority of section three hundred eighty-four point sixty-eight (384.68) and which are repayable from the proceeds of any one levy shall not exceed twenty percent of the capital and surplus of the state bank.

c. The total amount of revenue bonds and pledge orders which have been issued by a municipality under authority of chapter three hundred eighty-four (384), division five (V), and which are repayable from the revenues of any one city utility, combined utility system, city enterprise or combined city enterprise shall not exceed twenty percent of the capital and surplus of the state bank.

d. The total amount of revenue bonds issued by a municipality pursuant to section 419.2 which have been issued on behalf of any one lessee, as defined in section 419.1, or which are guaranteed by any one guarantor, or which are issued on behalf of or guaranteed by a corporation, a ten percent or greater ownership interest in which is held by or in common with a ~~lessee~~ lessee or guarantor, or any combination of the foregoing whereby the municipality could receive revenues for payment of such bonds from any one person or any group of persons under common control, shall not exceed twenty percent of the capital and surplus of the state bank.

e. A state bank shall obtain the express consent of the superintendent prior to investment by that bank of an amount in excess of twenty percent of its capital and surplus in bonds or securities issued by any one municipality, regardless of the sources of funds proposed for repayment of the various bonds or securities.

e f. No bond or security shall be eligible for investment by a state bank within this subsection if the bond or security has been in default either as to principal or interest at any time within five years prior to the date of purchase.

Sec. 17. Section five hundred twenty-four point nine hundred four (524.904), subsection four (4), Code 1979, is amended by striking paragraph g and inserting in lieu thereof the following:

g. Obligations of a customer which is a bank to the extent the obligations are repayable on demand or on the first business day following demand for repayment.

Sec. 18. Section five hundred twenty-four point nine hundred four (524.904), subsection two (2), paragraph d, Code 1979, is amended to read as follows:

d. The total obligations of any one customer, ~~who~~ which is an individual or a corporation, to a state bank at any one time shall not exceed forty percent of the capital and surplus of the state bank if all of the amount by which such obligations exceed twenty percent of the capital and surplus of the state bank consists of amounts owed by one or more corporations of which the customer owns or controls more than fifty percent of the shares entitled to vote, or, if the customer is a corporation, of amounts owed by another corporation which owns or controls more than fifty percent of the shares of the customer entitled to vote, or of amounts owed by one or more other corporations more than fifty percent of the voting shares of each of which are owned or controlled by a person which also owns or controls more than fifty percent of the shares of the customer entitled to vote, provided however, when this paragraph applies:

(1) The amounts owed by such customer shall not exceed twenty percent of the capital and surplus of the state bank.

(2) The amounts owed by any one or all of such the corporations other than the customer shall not exceed twenty percent of the capital and surplus of the state bank.

(3) The shares, assets and any liabilities of any such corporation other than the customer shall not be included

in the financial statement of such customer or otherwise relied upon as a basis for a loan to such customer.

(4) The assets or guarantee of such customer shall not be relied upon as a basis for a loan to any such corporation.

(5) The proceeds of the amounts owed by the customer shall not be intermingled with or used for a common purpose with the proceeds of the amounts owed by the corporation or corporations other than the customer.

For the purposes of this paragraph, the term "amounts owed" means the amounts for the payment of which such customer or any one or all such corporations are obligated, whether directly or indirectly, primarily or secondarily, to a state bank as a result of the exercise by the state bank of the powers conferred by section 524.902, but determined without reference to paragraphs "e", "f" and "g" of subsection 1 of this section.

Sec. 19. Section five hundred twenty-four point nine hundred four (524.904), subsection four (4), Code 1979, is amended by adding the following new paragraph:

NEW PARAGRAPH. Obligations of a customer as endorser or guarantor for a corporation in which that customer owns or controls more than fifty percent of the shares entitled to vote, provided that under rules promulgated by the superintendent the customer and the corporation qualify as separate customers because the assets and the demonstrated ability to generate income of the corporation and the customer taken together are adequate to secure and fund all outstanding and contemplated debt of the corporation and the customer.

Sec. 20. Section five hundred twenty-four point nine hundred five (524.905), subsection one (1), Code 1979, is amended to read as follows:

1. A state bank may make permanent loans or combined construction and permanent loans, secured by liens on residential real property housing more than two families, and on real property consisting of farmland, industrial, manufacturing and commercial properties including a leasehold in such properties. Any such loan may be made in an amount

not to exceed seventy-five percent of the appraised value of the property offered as security and for a term not longer than ~~twenty~~ twenty-five years, provided that the loan is secured by an amortized mortgage, deed of trust or other such instrument under the terms of which the installment payments are sufficient to amortize the entire principal of the loan within a period of not more than ~~twenty~~ twenty-five years. In the case of a combined construction and permanent loan made pursuant to this subsection, the amount of the loan shall not exceed seventy-five percent of the value of the property upon completion of the construction.

Sec. 21. Section five hundred twenty-four point nine hundred five (524.905), subsection three (3), paragraph c, Code 1979, is amended to read as follows:

c. Financing the acquisition and development of unimproved real property if the maturity of any such loan does not exceed three years from the date thereof and the amount of any such loan does not exceed ~~one-half~~ seventy-five percent of the cost of the real property acquired for development plus ~~one-half~~ seventy-five percent of the cost of development exclusive of the cost of construction of buildings.

Sec. 22. Section five hundred twenty-four point nine hundred five (524.905), subsection five (5), paragraph f, Code 1979, is amended to read as follows:

f. The state bank shall obtain either a written opinion by an attorney admitted to practice in Iowa stating that the mortgage, deed of trust or similar instrument is a first lien on the real property, or a loan policy of title insurance written by an insurance company licensed to do business in the state in which the real property is located insuring the title to the real property and the validity and enforceability of the mortgage, deed of trust or similar instrument as a first lien on the real property.

Sec. 23. Section five hundred twenty-four point nine hundred five (524.905), subsection six (6), paragraph e, subparagraph three (3), Code 1979, is amended to read as follows:

(3) On a financially responsible lessee of the real property provided that the lease shall be assigned to the state bank and the lease by its terms shall be sufficient to amortize the entire principal of the loan within a period of not more than ~~twenty~~ twenty-five years.

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FLOYD H. MILLEN  
Speaker of the House

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TERRY E. BRANSTAD  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 649, Sixty-eighth General Assembly.

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DAVID L. WRAY  
Chief Clerk of the House

Approved 6/8/79, 1979

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ROBERT D. RAY  
Governor