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SENATE FILE 2220

BY COMMITTEE ON COMMERCE

Approved 2/27 (p. 549)

Passed Senate, Date 3-2-84 (p. 742) Passed House, Date 3-28-84 (P. 1396)

Vote: Ayes 43 Nays 3 Vote: Ayes 94 Nays 2

Approved May 8, 1984

Motion to reconsider (p. 749) & 3/12 (760)  
w/2 3/12

## A BILL FOR

1 An Act relating to financial institutions by allowing savings  
 2 and loan associations, savings banks and credit unions to  
 3 accept public funds, requiring a commitment to community  
 4 reinvestment to receive state public funds, providing  
 5 for the giving of notice on minimum interest rates for  
 6 public funds, providing for the pledging of assets,  
 7 providing for the dissolution of the state sinking fund,  
 8 expanding the deposit and geographic limits for bank  
 9 holding companies, and providing reciprocity for credit  
 10 unions.

S. 2220

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

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1 Section 1. Section 175.6, subsection 9, Code 1983, is  
2 amended to read as follows:

3 9. Subject to any an agreement with bondholders or  
4 noteholders, invest or deposit moneys of the authority in  
5 any a manner determined by the authority, notwithstanding  
6 ~~the-provisions-of-chapters~~ chapter 452, or 453 or-454.

7 Sec. 2. Section 220.5, subsection 9, Code 1983, is amended  
8 to read as follows:

9 9. Subject to any an agreement with bondholders or  
10 noteholders, invest or deposit moneys of the authority in  
11 any a manner determined by the authority, notwithstanding  
12 ~~the-provisions-of-chapters~~ chapter 452, or 453 or-454.

13 Sec. 3. Section 307B.7, subsection 11, Code Supplement  
14 1983, is amended to read as follows:

15 11. Invest or deposit moneys of the authority, subject  
16 to any an agreement with bondholders or noteholders, in any  
17 a manner determined by the authority, notwithstanding ~~the~~  
18 ~~provisions-of~~ chapter 452, or 453 or-454.

19 Sec. 4. Section 452.10, Code 1983, is amended to read  
20 as follows:

21 452.10 CUSTODY OF PUBLIC FUNDS--INVESTMENT OR DEPOSIT.

22 The treasurer of state and the treasurer of each political  
23 subdivision shall at all times keep all funds coming into  
24 their possession as public money, in a vault or safe, to be  
25 provided for that purpose, or in ~~some-bank-legally-designated~~  
26 ~~as-a-depository-for-such-funds~~ one or more depositories.

27 However, the treasurer of state and the treasurer of each  
28 political subdivision shall invest, unless otherwise provided,  
29 any of the public funds not currently needed for operating  
30 expenses in notes, certificates, bonds, or other evidences  
31 of indebtedness which are obligations of or guaranteed by  
32 the United States of America or any of its agencies; or ~~make~~  
33 in time deposits of-such-funds in banks depositories as  
34 provided in chapter 453 and receive time certificates of  
35 deposit therefor; or in savings accounts in banks depositories.

1 The treasurer of state may invest any of the funds in his  
 2 the treasurer's custody in any of the investments authorized  
 3 for the Iowa public employees' retirement system in section  
 4 97B.7, subsection 2, paragraph "b" except that investment  
 5 in common stocks ~~shall~~ is not be permitted. As used in this  
 6 section, "depository" means a financial institution desig-  
 7 nated as a legal depository under chapter 453.

8 Sec. 5. Section 453.1, Code Supplement 1983, is amended  
 9 to read as follows:

10 453.1 DEPOSITS IN GENERAL. All funds held in the hands  
 11 of the following officers or institutions shall be deposited  
 12 in ~~banks~~ one or more depositories first approved by the  
 13 appropriate governing body as indicated: For the treasurer  
 14 of state, by the executive council; for judicial officers  
 15 and court employees, by the supreme court; for the county  
 16 treasurer, recorder, auditor, sheriff, by the board of  
 17 supervisors; for the city treasurer, by the city council;  
 18 for the county public hospital or merged area hospital, by  
 19 the board of hospital trustees; for a memorial hospital, by  
 20 the memorial hospital commission; for a school corporation,  
 21 by the board of school directors; for a city utility or  
 22 combined utility system established under chapter 388, by  
 23 the utility board; for a regional library established under  
 24 chapter 303B, by the regional board of library trustees; and  
 25 for an electric power agency as defined in section 28F.2,  
 26 by the governing body of the electric power agency. However,  
 27 the treasurer of state and the treasurer of each political  
 28 subdivision shall invest all funds not needed for current  
 29 operating expenses in time certificates of deposit in ~~banks~~  
 30 ~~listed-as~~ approved depositories pursuant to this chapter or  
 31 in investments permitted by section 452.10. The list of  
 32 public depositories and the amounts severally deposited in  
 33 the depositories ~~shall-be-a-matter~~ are matters of public  
 34 record. ~~"Bank"-means-a-bank-or-a-private-bank,-as-defined~~  
 35 ~~in-section-524-103-~~ As used in this chapter, "depository"

1 means a bank whose accounts are insured by the federal deposit  
2 insurance corporation, or a savings and loan association or  
3 a savings bank whose accounts are insured by the federal  
4 savings and loan insurance corporation, or a credit union  
5 insured by the national credit union administration.

6 Sec. 6. Section 453.2, Code 1983, is amended to read as  
7 follows:

8 453.2 APPROVAL--REQUIREMENTS. The approval of a bank  
9 financial institution as a depository shall be by written  
10 resolution or order which shall be entered of record in the  
11 minutes of the approving board, and which shall distinctly  
12 name each bank depository approved, and specify the maximum  
13 amount which may be kept on deposit in each such-bank  
14 depository.

15 Sec. 7. Section 453.3, Code 1983, is amended to read as  
16 follows:

17 453.3 INCREASE CONDITIONALLY PROHIBITED. The maximum  
18 amount ~~se-permitted~~ approved under section 453.2 to be  
19 deposited in a named ~~bank~~ depository shall not be increased  
20 except with the approval of the treasurer of state.

21 Sec. 8. Section 453.4, Code 1983, is amended to read as  
22 follows:

23 453.4 LOCATION OF DEPOSITORIES. Deposits by the treasurer  
24 of state shall be in ~~banks~~ depositories located in this state;  
25 by a county officer or county public hospital officer or  
26 merged area hospital officer, in ~~banks~~ depositories located  
27 in ~~his~~ the county or in an adjoining county within this state;  
28 by a memorial hospital treasurer, in a ~~bank~~ depository located  
29 within this state which shall be selected by ~~such~~ the memorial  
30 hospital treasurer and approved by the memorial hospital  
31 commission; by a city treasurer or other city financial  
32 officer, in ~~banks-or-bank~~ depositories or depository offices  
33 located in the city, but ~~in-the-event~~ if there is no ~~bank~~  
34 ~~ex-bank~~ depository or depository office in ~~such~~ the city then  
35 in any other ~~bank-or-bank~~ depository or depository office

1 located in this state which shall be selected as such a  
2 depository by the city council; by a school treasurer or by  
3 a school secretary in a bank depository within this state  
4 which shall be selected by the board of directors or the  
5 trustees of such the school district; by a township clerk  
6 in a bank depository located within this state which shall  
7 be selected by such the township clerk and approved by the  
8 trustees of such the township. ~~Provided, that~~ However,  
9 deposits may be made in banks depositories outside of Iowa  
10 for the purpose of paying principal and interest on bonded  
11 indebtedness of any municipality when such the deposit is  
12 made not more than ten days before the date such the principal  
13 or interest becomes due.

14 Sec. 9. Section 453.5, unnumbered paragraph 1, Code 1983,  
15 is amended to read as follows:

16 If the duly approved banks depositories will not accept  
17 the deposits under the conditions prescribed or authorized  
18 in this chapter, the funds may be deposited, on the same or  
19 better terms as were offered to the depositories, in any one  
20 or more approved bank-or-banks depositories conveniently  
21 located within the state.

22 Sec. 10. Section 453.6, Code 1983, is amended to read  
23 as follows:

24 453.6 INTEREST RATE. Public deposits shall be deposited  
25 with reasonable promptness in a depository legally designated  
26 as depository for the funds. A committee composed of the  
27 superintendent of banking, the auditor of state or a designee,  
28 and the treasurer of state shall meet on or about the first  
29 of each month or at other times as the committee may prescribe  
30 and by majority action shall establish a minimum rate to be  
31 earned on state funds placed in time deposits. State funds  
32 invested in bank depository time certificates of deposit shall  
33 draw interest at not less than the rate established, effective  
34 on the date of investment. An interest rate established by  
35 the committee under this section shall be in effect commencing

1 on the eighth calendar day following the day the rate is  
2 established and until a different rate is established and  
3 takes effect. The committee shall give advisory notice of  
4 an interest rate established under this section. This notice  
5 may be given by publication in one or more newspapers, by  
6 publication in the Iowa administrative bulletin, by ordinary  
7 mail to persons directly affected, by any other method  
8 determined by the committee, or by a combination of these.  
9 In all cases, the notice shall be published in the Iowa  
10 administrative bulletin. The notice shall contain the  
11 following words:

12 "The rate of interest has been determined by a committee  
13 of the state of Iowa to be the minimum interest rate that  
14 shall be paid on public funds deposited in approved finan-  
15 cial institutions. To be eligible to accept deposits of  
16 public funds of the state of Iowa, a financial institution  
17 shall demonstrate a commitment to serve the needs of the  
18 local community in which it is chartered to do business.  
19 These needs include credit services as well as deposit  
20 services. All such financial institutions are required  
21 to provide the committee with a written description of  
22 their commitment to provide credit services in the com-  
23 munity. This statement is available for examination by  
24 citizens."

25 The notice shall also provide the name and address of a state  
26 official to whom inquiries can be sent. Actions of the  
27 committee under this section and section 453.6A are exempt  
28 from chapter 17A.

29 Public funds invested in bank depositories time certificates  
30 of deposit by a public body or officer other than the treasurer  
31 of state shall draw interest at rates to be determined by  
32 the public body or officer and the bank depository, which  
33 rates shall not be less than the minimum rate set under this  
34 section for state funds.

35 Sec. 11. NEW SECTION. 453.6A. ELIGIBILITY FOR STATE

## 1 PUBLIC FUNDS.

2 1. Public funds of the state shall not be deposited in  
3 a financial institution which does not demonstrate a commitment  
4 to serve the needs of the local community in which it is  
5 chartered to do business. These needs include credit services  
6 as well as deposit services.

7 2. In addition to establishing a minimum interest rate  
8 for public funds pursuant to section 453.6, the committee  
9 composed of the superintendent of banking, the auditor of  
10 state or a designee and the treasurer of state shall develop  
11 a list of financial institutions eligible to accept state  
12 public funds. The committee shall require that a financial  
13 institution seeking to qualify for the list shall annually  
14 provide the committee a written statement that the financial  
15 institution has a commitment to community reinvestment  
16 consistent with the safe and sound operation of a financial  
17 institution. To qualify for the list a financial institution  
18 must demonstrate a continuing commitment to meet the credit  
19 needs of the local community in which it is chartered.

20 3. The committee shall develop procedures to ensure that  
21 the financial institution's statement is available and  
22 accessible for examination by citizens. The committee shall  
23 adopt procedures for both of the following:

24 a. To receive information relating to a financial  
25 institution's commitment to community reinvestment.

26 b. To receive challenges from any person to a financial  
27 institution's continued eligibility to receive state public  
28 funds.

29 4. At least once a year the committee shall review any  
30 challenges that have been filed pursuant to subsection 2.  
31 The committee may hold a public hearing to consider the  
32 challenge. In considering a challenge, the committee shall  
33 review documents filed with federal regulatory authorities  
34 pursuant to the Community Reinvestment Act, 12 U.S.C. 2901  
35 et seq. and regulations adopted pursuant to the Act, as amended

1 to January 1, 1984. In addition, consistent with the  
2 confidentiality of financial institution records the committee  
3 shall consider other factors including, but not limited to,  
4 the following:

5 a. Activities conducted to determine the credit needs  
6 of the community.

7 b. Marketing and special credit-related programs to make  
8 citizens in the community aware of the credit services offered.

9 c. Practices intended to discourage application for types  
10 of credit set forth in the Community Reinvestment Act  
11 statement.

12 d. Geographic distribution of credit extensions, credit  
13 applications and credit denials.

14 e. Evidence of prohibited discriminatory or other illegal  
15 credit practices.

16 f. Participation in local community development and  
17 redevelopment projects.

18 g. Origination or purchase of residential mortgage loans,  
19 housing rehabilitation loans, home improvement loans and  
20 business or farm loans within the community.

21 h. Ability to meet various community credit needs based  
22 on financial condition, size, legal impediments, and local  
23 economic conditions.

24 Sec. 12. Section 453.7, subsection 1, Code 1983, is amended  
25 to read as follows:

26 1. ~~No-bank-or-trust-company~~ A depository shall, not  
27 directly or indirectly, ~~by-any-device-whatsoever,~~ pay any  
28 interest to any a public officer on any a demand deposit of  
29 public funds, and ~~no~~ a public officer shall not take or receive  
30 any interest ~~whatsoever~~ on demand deposits of public funds.  
31 This provision ~~shall~~ does not apply to interest on time  
32 certificates of deposit or savings accounts for public funds.

33 Sec. 13. Section 453.8, Code 1983, is amended to read  
34 as follows:

35 453.8 LIABILITY OF PUBLIC OFFICERS. ~~No~~ An officer who

1 is referred to in section 453.1 ~~shall-be~~ is not liable for  
 2 loss of funds by reason of the insolvency of the depository  
 3 ~~bank~~ institution when ~~said~~ the funds have been deposited or  
 4 invested as ~~herein~~ provided in this chapter. ~~Any deposit~~  
 5 ~~or investment in a lawful depository upon which interest is~~  
 6 ~~paid to a governmental unit under the provisions of this~~  
 7 ~~chapter shall be considered legal deposits for the purposes~~  
 8 ~~of chapter 454.~~

9 Sec. 14. Section 453.9, unnumbered paragraph 1, Code 1983,  
 10 is amended to read as follows:

11 The governing council or board ~~who~~ which by law ~~are~~ is  
 12 authorized to direct the depositing of funds ~~shall-be~~  
 13 ~~authorized to~~ may direct the treasurer or other designated  
 14 financial officer to invest any fund not an active fund needed  
 15 for current use and which is being accumulated as a sinking  
 16 fund for a definite purpose, the interest on which is used  
 17 for the same purpose, in savings accounts in ~~banks~~  
 18 ~~depositories, in the certificates or warrants provided by~~  
 19 ~~section 454.19, or make~~ in time deposits ~~of such funds as~~  
 20 provided in this chapter ~~and receive time certificates of~~  
 21 ~~deposit therefor~~, or in bonds or other evidences of  
 22 indebtedness issued, assumed, or guaranteed by the United  
 23 States of America, or by ~~any~~ an agency or instrumentality  
 24 ~~thereof~~ of the United States, or in local certificates or  
 25 warrants issued by ~~any~~ a municipality or school district  
 26 within the county, or in municipal or school district bonds  
 27 which constitute a general liability, and the treasurer or  
 28 other officer when so directed shall so invest ~~such~~ the fund.

29 Sec. 15. Section 453.12, Code 1983, is amended to read  
 30 as follows:

31 453.12 SERVICE CHARGE BY BANK DEPOSITORY. A ~~bank~~  
 32 depository may make reasonable service charges with respect  
 33 to the handling of ~~any~~ public funds, but ~~such~~ the service  
 34 charges shall not be greater than ~~said bank~~ the depository  
 35 customarily requires from other ~~patrons~~ depositors for similar

1 services.

2 Sec. 16. NEW SECTION. 453.13 DEPOSIT NOT MEMBERSHIP.  
3 Notwithstanding chapter 534, the deposit of public funds in  
4 an association defined in section 533.1 or 534.2 does not  
5 constitute being a shareholder, stockholder, or owner of a  
6 corporation in violation of Article VIII of the Constitution  
7 of the State of Iowa or any other provision of law.

8 Sec. 17. NEW SECTION. 453.15 COLLATERAL CONDITIONS.  
9 A local government shall not require a pledge of collateral  
10 for that portion of the local government's deposits in a  
11 depository institution that is covered by insurance of a  
12 federal agency or instrumentality including the federal deposit  
13 insurance corporation, the federal savings and loan insurance  
14 corporation, or the national credit union administration.

15 Sec. 18. NEW SECTION. 453.16 SECURITY FOR DEPOSIT OF  
16 PUBLIC FUNDS.

17 1. Before a deposit of public funds is made by a public  
18 officer with a depository institution in excess of the amount  
19 insured by federal deposit insurance or federal savings and  
20 loan insurance, the public officer shall obtain security for  
21 the deposit by one or more of the following:

22 a. The depository institution may give to the public  
23 officer a corporate surety bond of a surety corporation  
24 approved by the treasury department of the United States and  
25 authorized to do business in this state, which bond shall  
26 be in an amount equal to the public funds on deposit at any  
27 time. The bond shall be conditioned that the deposit shall  
28 be paid promptly on the order of the public officer making  
29 the deposit and shall be approved by the officer making the  
30 deposit.

31 b. The depository institution may deposit, maintain,  
32 pledge and assign for the benefit of the public officer in  
33 the manner provided in this chapter, securities approved by  
34 the public officer, the market value of which is not less  
35 than one hundred ten percent of the total deposits of public

1 funds placed by that public officer in the depository  
2 institution. The securities shall consist of any of the  
3 following:

4 (1) Direct obligations of, or obligations that are insured  
5 as to principal and interest by, the United States of America  
6 or an agency or instrumentality of the United States of  
7 America.

8 (2) Public bonds or obligations of this state or a  
9 political subdivision of this state.

10 (3) To the extent of the guarantee, loans, obligations,  
11 or nontransferable letters of credit upon which the payment  
12 of principal and interest is fully secured or guaranteed by  
13 the United States of America or an agency or instrumentality  
14 of the United States of America.

15 2. If public funds are secured by both the assets of a  
16 depository institution and a bond of a surety company, the  
17 assets and bond shall be held as security for a rateable  
18 proportion of the deposit on the basis of the market value  
19 of the assets and of the total amount of the surety bonds.

20 Sec. 19. NEW SECTION. 453.17 DEPOSIT OF SECURITIES.

21 1. A depository institution which receives public funds  
22 shall pledge securities owned by it as required by this chapter  
23 in one of the following methods:

24 a. The securities shall be deposited with the county,  
25 city, or other public officers at the option of the officers.

26 b. The securities shall be deposited with a financial  
27 institution having facilities for the safekeeping of securities  
28 and doing business in the state. A financial institution  
29 which receives securities for safekeeping is liable to the  
30 public officer to whom the securities are pledged for any  
31 loss suffered by the public officer if the financial  
32 institution relinquishes custody of the securities contrary  
33 to the provisions of this chapter or the instrument governing  
34 the pledge of the securities.

35 c. The securities shall be deposited with the federal

1 reserve bank of Chicago, Illinois or the federal home loan  
2 bank of Des Moines, Iowa.

3 d. The securities may be deposited by any combination  
4 of methods specified in paragraph "a", "b", and "c".

5 2. A deposit of securities shall not be made in a facility  
6 owned or controlled directly or indirectly by the financial  
7 institution which deposits the securities.

8 3. All deposits of securities, other than deposits of  
9 securities with the appropriate public officer, shall have  
10 a joint custody receipt taken for the securities with one  
11 copy delivered to the public officer and one copy delivered  
12 to the depository institution. A depository institution  
13 pledging securities with a public officer may cause the  
14 securities to be examined in the officer's office to show  
15 the securities are placed with the officer as collateral  
16 security and are not transferable except upon the conditions  
17 provided in this chapter.

18 4. Upon written request from the appropriate public officer  
19 but not less than quarterly, a depository institution shall  
20 report the par value and the market value of any pledged  
21 collateral and the total deposits of public funds of that  
22 officer in the depository institution.

23 Sec. 20. NEW SECTION. 453.18 CONDITION OF SECURITY.  
24 The condition of the surety bond or the deposit of securities,  
25 instruments, or a joint custody receipt, must be that the  
26 depository institution will promptly pay to the parties  
27 entitled public funds, including any interest on the funds,  
28 in its custody upon lawful demand and, when required by law,  
29 pay the funds to the public officer who made the deposit.

30 Sec. 21. NEW SECTION. 453.19 WITHDRAWALS, EXCHANGES  
31 OF SECURITY.

32 1. Securities pledged pursuant to this chapter may be  
33 withdrawn on application of the pledging depository institution  
34 and upon approval of the public officer to whom the securities  
35 are pledged if the deposit of securities is no longer necessary

1 to comply with this chapter, or is required for collection  
2 by virtue of its maturity or for exchange. The depository  
3 institution shall replace securities so withdrawn for  
4 collection or exchange.

5 2. In an exchange of deposited securities for new  
6 securities, the amount of security on deposit at any time  
7 shall not be decreased below that otherwise required by this  
8 chapter.

9 3. In the event of substitution or exchange of securities,  
10 the holder or custodian of the securities shall, on the same  
11 day, forward by certified mail, return receipt requested,  
12 to the public officer and the depository institution, a receipt  
13 specifically describing and identifying both the substituted  
14 securities and those released and returned to the depository  
15 institution.

16 4. The public officer which deposits public funds with  
17 a depository institution shall require, if the market value  
18 of the securities deposited with or for the benefit of the  
19 officer falls below one hundred ten percent of the deposit  
20 liability to the public officer, the deposit of additional  
21 security to bring the total market value of the security to  
22 one hundred ten percent of the amount of public funds held  
23 by the depository.

24 Sec. 22. NEW SECTION. 453.20 DEPOSITORY INSTITUTION  
25 LIABILITY; PROCEDURE UPON DEFAULT; SALE OF SECURITY.

26 1. The depository institution, and the security given  
27 for the public funds in its hands, are liable for payment  
28 if the depository institution fails to pay a check, draft,  
29 or warrant drawn by the public officer or to account for a  
30 check, draft, warrant, order or certificate of deposit, or  
31 any funds entrusted to it by the public officer.

32 2. The deposit of securities by a depository institution  
33 pursuant to this chapter constitutes consent by the depository  
34 institution to the disposition of the securities in accordance  
35 with this section.

1 3. When a depository institution is closed by order of  
2 its primary regulatory agency, the public officer shall demand  
3 and receive from each custodian the securities pledged to  
4 secure deposits of public funds and, with the advice and  
5 counsel of the committee referred to in section 453.6,  
6 liquidate in an orderly manner the securities or part of the  
7 securities as determined advisable at public or private sale  
8 and distribute the proceeds as provided in this section.

9 4. The claim of a public officer for purposes of this  
10 section shall be the amount of the officer's deposits plus  
11 interest to the date the funds are distributed to the public  
12 officer at the rate the depository institution agreed to pay  
13 on the funds reduced by the portion of the funds which is  
14 insured by federal deposit insurance.

15 5. The public officer shall remit to the depository  
16 institution any of its collateral or the proceeds of its  
17 collateral in excess of the amount so distributable to public  
18 officers.

19 6. If the net proceeds of the collateral are inadequate  
20 after all other available sources are applied, to meet the  
21 total claims of the public officials entitled to the proceeds,  
22 the public officers may make claims against the depository  
23 institution as general creditors.

24 Sec. 23. Section 524.1802, Code 1983, is amended to read  
25 as follows:

26 524.1802 LIMITATION. No

27 1. a. Except as provided in paragraphs "b" and "c", a  
28 bank holding company shall not directly or indirectly acquire  
29 ownership or control of more than twenty-five percent of the  
30 voting shares of any a bank, or the power to control in any  
31 manner the election of a majority of the directors of any  
32 a bank, if upon such the acquisition the banks so owned or  
33 controlled by the bank holding company would have, in the  
34 aggregate, more than eight ten percent of the total time and  
35 demand deposits, ~~both-time-and-demand,~~ of all banks in this

1 state, as determined by the superintendent on the basis of  
2 the most recent reports of the banks in the state to their  
3 supervisory authorities which are available at the time of  
4 the acquisition.

5 b. Except as provided in paragraph "c", until January  
6 1, 1988, an out-of-state bank holding company, as defined  
7 or referred to in 12 U.S.C. sec. 1842(d), as amended to January  
8 1, 1971, that is doing business in this state pursuant to  
9 section 524.1805, shall not own or control banks containing  
10 more than the same percent of the total time and demand  
11 deposits of all banks in this state as the state in which  
12 the out-of-state bank holding company is located permits bank  
13 holding companies located in Iowa to own or control banks  
14 in that state. However, in no event shall the out-of-state  
15 bank holding company own or control banks containing more  
16 than ten percent of the time and demand deposits of all banks  
17 in this state. After January 1, 1988, a bank holding company  
18 located in such a state may then own or control banks  
19 containing not more than ten percent of the total time and  
20 demand deposits of all banks in Iowa.

21 c. Notwithstanding paragraph "b", an out-of-state bank  
22 holding company which was doing business in this state on  
23 January 1, 1984, may own or control banks containing not more  
24 than eight percent of the total time and demand deposits of  
25 all banks in Iowa. However, until January 1, 1988, an out-  
26 of-state bank holding company may own or control banks  
27 containing not more than ten percent of the total time and  
28 demand deposits of all banks in Iowa, if the state in which  
29 the out-of-state bank holding company is located permits bank  
30 holding companies located in Iowa to own or control banks  
31 having ten percent or a greater percentage of the total time  
32 and demand deposits of all banks in that state. After January  
33 1, 1988, a bank holding company operating under this paragraph  
34 may then own or control banks containing not more than ten  
35 percent of the total time and demand deposits of all banks

1 in Iowa.

2 Ne 2. a. Except as provided in paragraphs "b" and "c",  
3 a bank holding company shall not directly or indirectly acquire  
4 ownership or control of more than twenty-five percent of the  
5 voting shares of any a savings and loan association or savings  
6 bank, or the power to control in any manner the election of  
7 a majority of the directors of any a savings and loan  
8 association or savings bank, if upon such the acquisition  
9 the associations so owned or controlled by the bank holding  
10 company would have, in the aggregate, more than eight ten  
11 percent of the total time and demand deposits,--both-time-and  
12 demand, of all associations and savings banks in this state,  
13 as determined by the superintendent on the basis of the most  
14 recent reports of the associations in the state to their  
15 supervisory authorities which are available at the time of  
16 the acquisition.

17 b. Except as provided in paragraph "c", until January  
18 1, 1988, an out-of-state bank holding company, as defined  
19 or referred to in 12 U.S.C. sec. 1842(d), as amended to January  
20 1, 1971, that is doing business in this state pursuant to  
21 section 524.1805, shall not own or control savings and loan  
22 associations and savings banks containing more than the same  
23 percent of the total time and demand deposits of all savings  
24 and loan associations and savings banks in this state as the  
25 state in which the out-of-state bank holding company is located  
26 permits bank holding companies located in Iowa to own or  
27 control savings and loan associations and savings banks in  
28 that state. However, in no event shall the out-of-state bank  
29 holding company own or control savings and loan associations  
30 or savings banks containing more than ten percent of the time  
31 and demand deposits of all savings and loan associations and  
32 savings banks in this state. After January 1, 1988, a bank  
33 holding company located in such a state may then own or control  
34 savings and loan associations or savings banks containing  
35 not more than ten percent of the total time and demand deposits

1 of all savings and loan associations or savings banks in Iowa.

2 c. Notwithstanding paragraph "b", an out-of-state bank  
3 holding company which was doing business in this state on  
4 January 1, 1984, may own or control savings and loan  
5 associations or savings banks containing not more than eight  
6 percent of the total time and demand deposits of all savings  
7 and loan associations and savings banks in Iowa. However,  
8 until January 1, 1988, such an out-of-state bank holding  
9 company may own or control savings and loan associations or  
10 savings banks containing not more than ten percent of the  
11 total time and demand deposits of all savings and loan  
12 associations or savings banks in Iowa, if the state in which  
13 the out-of-state bank holding company is located permits bank  
14 holding companies located in Iowa to own or control savings  
15 and loan associations and savings banks having ten percent  
16 or a greater percentage of the total time and demand deposits  
17 of all savings and loan associations or savings banks in that  
18 state. After January 1, 1988, a bank holding company operating  
19 under this paragraph may then own or control savings and loan  
20 associations or savings banks containing not more than ten  
21 percent of the total time and demand deposits of all savings  
22 and loan associations or savings banks in Iowa.

23 Sec. 24. Section 524.1805, Code 1983, is amended to read  
24 as follows:

25 524.1805 OUT-OF-STATE HOLDING COMPANIES.

26 1. ~~Nothing in this~~ This division shall be construed to  
27 does not authorize a bank holding company which is with respect  
28 to the state of Iowa an "out-of-state bank holding company",  
29 as defined or referred to in 12 U.S.C. sec. 1842(d), as amended  
30 to January 1, 1971, to acquire any of the voting shares of,  
31 any interest in, all or substantially all of the assets of,  
32 or power to control in any manner the election of any of the  
33 directors of any a bank in this state, unless such the bank  
34 holding company was on January 1, 1971 registered with the  
35 federal reserve board as a bank holding company, and on that

1 date owned at least two banks in this state.

2 2. However, an out-of-state bank holding company located  
3 in a state which is in the midwestern region of the United  
4 States may acquire, directly or indirectly, voting shares,  
5 an interest in, or control of banks located in Iowa if the  
6 state in which it is located permits bank holding companies  
7 located in Iowa to acquire voting shares, an interest in,  
8 or control of banks located within that state.

9 3. If it is ultimately determined that the limitation  
10 in subsection 2 restricting reciprocity to states in the mid-  
11 western region of the United States is invalid, then all of  
12 subsection 2 is void and no reciprocity is allowed. However,  
13 if subsection 2 becomes void an out-of-state bank holding  
14 company, directly or indirectly, owning voting shares, an  
15 interest in, or control of a bank located in Iowa may main-  
16 tain the interest and may expand holdings not to exceed the  
17 limitations contained in section 524.1802.

18 4. For the purposes of this section, a bank holding company  
19 is deemed to be located in the state in which the operations  
20 of its banking subsidiaries are "principally conducted" as  
21 defined in 12 U.S.C. sec. 1842(d), as amended to January 1,  
22 1971. For the purposes of this section, "midwestern region  
23 of the United States" includes the states of Iowa, Missouri,  
24 Nebraska, Kansas, South Dakota, North Dakota, Minnesota,  
25 Wisconsin, and Illinois.

26 Sec. 25. Section 533.4, Code 1983, is amended by adding  
27 the following new subsection:

28 NEW SUBSECTION. 22. Receive public funds pursuant to  
29 chapter 453.

30 Sec. 26. NEW SECTION. 533.39 RECIPROCITY. Subject to  
31 rules of the administrator, a credit union chartered in another  
32 state may do business in Iowa subject to the applicable  
33 provisions of this chapter if credit unions chartered in Iowa  
34 may do business in the state in which the out-of-state credit  
35 union is chartered.



1 an Iowa bank holding company to own or control in that state.  
2 A similar increase is made for the deposit basis for investment  
3 in savings and loan associations and savings banks.

4 Section 24 establishes a regional banking area for the  
5 midwestern region of the United States and provides that an  
6 out-of-state bank holding company within the region may  
7 acquire, directly or indirectly, voting shares, an interest  
8 in, or control of banks located in Iowa if the state in which  
9 the bank holding company is located will allow an Iowa bank  
10 holding company reciprocal acquisition rights in banks located  
11 in that state. The region is limited to the states of Iowa,  
12 Missouri, Nebraska, Kansas, South Dakota, North Dakota,  
13 Minnesota, Wisconsin, and Illinois.

14 Section 25 permits a credit union to accept public funds.

15 Section 26 provides for reciprocity for an out-of-state  
16 credit union if credit unions in Iowa would be permitted to  
17 do business in the state in which the out-of-state credit  
18 union is chartered.

19 This bill becomes effective July 1 following enactment.

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See Small Business 3/15

Amended per 58300 Do Pass 3/23 (p. 1250)

Senate File 2220

Small Business and Commerce: Chiodo, Chair; Gronstal, Parker, Schnekloth and Schroeder.

E **2220**

BY COMMITTEE ON COMMERCE

(AS AMENDED AND PASSED BY THE SENATE MARCH 8, 1984)

Passed Senate, Date 4-2-84 (p. 1240) Passed House, Date 3-28-84 (p. 1376)

Vote: Ayes 44 Nays 0 Vote: Ayes 94 Nays 2

Approved May 7, 1984

motion to reconsider 4/3 (p. 1256) provided 4/4

Repassed House 4-12-84 (p. 1948)

Repassed Senate 4-4-84 (p. 1307)

100-0

46-0

## A BILL FOR

1 An Act relating to financial institutions by allowing savings  
 2 and loan associations, savings banks and credit unions to  
 3 accept public funds, requiring a commitment to community  
 4 reinvestment to receive state public funds, providing  
 5 for the giving of notice on minimum interest rates for  
 6 public funds, providing for the pledging of assets,  
 7 providing for the dissolution of the state sinking fund,  
 8 expanding the deposit limits for bank holding companies, and  
 9 providing reciprocity for credit unions.

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

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**\_\_\_\_\_** = New Language  
by the Senate

\* = Language Stricken  
by the Senate

1 Section 1. Section 175.6, subsection 9, Code 1983, is  
2 amended to read as follows:

3 9. Subject to ~~any~~ an agreement with bondholders or  
4 noteholders, invest or deposit moneys of the authority in  
5 any a manner determined by the authority, notwithstanding  
6 ~~the-provisions-of-chapters~~ chapter 452, or 453 ~~or-454~~.

7 Sec. 2. Section 220.5, subsection 9, Code 1983, is amended  
8 to read as follows:

9 9. Subject to ~~any~~ an agreement with bondholders or  
10 noteholders, invest or deposit moneys of the authority in  
11 any a manner determined by the authority, notwithstanding  
12 ~~the-provisions-of-chapters~~ chapter 452, or 453 ~~or-454~~.

13 Sec. 3. Section 307B.7, subsection 11, Code Supplement  
14 1983, is amended to read as follows:

15 11. Invest or deposit moneys of the authority, subject  
16 to ~~any~~ an agreement with bondholders or noteholders, in any  
17 a manner determined by the authority, notwithstanding ~~the~~  
18 ~~provisiens-of~~ chapter 452, or 453 ~~or-454~~.

19 Sec. 4. Section 452.10, Code 1983, is amended to read  
20 as follows:

21 452.10 CUSTODY OF PUBLIC FUNDS--INVESTMENT OR DEPOSIT.

22 The treasurer of state and the treasurer of each political  
23 subdivision shall at all times keep all funds coming into  
24 their possession as public money, in a vault or safe, to be  
25 provided for that purpose, or in ~~some-bank-legally-designated~~  
26 ~~as-a-depository-for-such-funds~~ one or more depositories.

27 However, the treasurer of state and the treasurer of each  
28 political subdivision shall invest, unless otherwise provided,  
29 any of the public funds not currently needed for operating  
30 expenses in notes, certificates, bonds, or other evidences  
31 of indebtedness which are obligations of or guaranteed by  
32 the United States of America or any of its agencies; or ~~make~~  
33 in time deposits ~~of-such-funds~~ in ~~banks~~ depositories as  
34 provided in chapter 453 and receive time certificates of  
35 deposit therefor; or in savings accounts in ~~banks~~ depositories.

1 The treasurer of state may invest any of the funds in his  
 2 the treasurer's custody in any of the investments authorized  
 3 for the Iowa public employees' retirement system in section  
 4 97B.7, subsection 2, paragraph "b" except that investment  
 5 in common stocks ~~shall~~ is not be permitted. As used in this  
 6 section, "depository" means a financial institution desig-  
 7 nated as a legal depository under chapter 453.

8 Sec. 5. Section 453.1, Code Supplement 1983, is amended  
 9 to read as follows:

10 453.1 DEPOSITS IN GENERAL. All funds held in the hands  
 11 of the following officers or institutions shall be deposited  
 12 in ~~banks~~ one or more depositories first approved by the  
 13 appropriate governing body as indicated: For the treasurer  
 14 of state, by the executive council; for judicial officers  
 15 and court employees, by the supreme court; for the county  
 16 treasurer, recorder, auditor, sheriff, by the board of  
 17 supervisors; for the city treasurer, by the city council;  
 18 for the county public hospital or merged area hospital, by  
 19 the board of hospital trustees; for a memorial hospital, by  
 20 the memorial hospital commission; for a school corporation,  
 21 by the board of school directors; for a city utility or  
 22 combined utility system established under chapter 388, by  
 23 the utility board; for a regional library established under  
 24 chapter 303B, by the regional board of library trustees; and  
 25 for an electric power agency as defined in section 28F.2,  
 26 by the governing body of the electric power agency. However,  
 27 the treasurer of state and the treasurer of each political  
 28 subdivision shall invest all funds not needed for current  
 29 operating expenses in time certificates of deposit in banks  
 30 ~~listed as~~ approved depositories pursuant to this chapter or  
 31 in investments permitted by section 452.10. The list of  
 32 public depositories and the amounts severally deposited in  
 33 the depositories ~~shall be a matter~~ are matters of public  
 34 record. ~~"Bank" means a bank or a private bank, as defined~~  
 35 ~~in section 524-103.~~ As used in this chapter, "depository"

1 means a bank or any office thereof whose accounts are insured  
2 by the federal deposit insurance corporation, or a savings  
3 and loan association or any branch thereof or a savings bank  
4 or any branch thereof whose accounts are insured by the federal  
5 savings and loan insurance corporation, or a credit union  
6 insured by the national credit union administration.

7 Sec. 6. Section 453.2, Code 1983, is amended to read as  
8 follows:

9 453.2 APPROVAL--REQUIREMENTS. The approval of a bank  
10 financial institution as a depository shall be by written  
11 resolution or order which shall be entered of record in the  
12 minutes of the approving board, and which shall distinctly  
13 name each bank depository approved, and specify the maximum  
14 amount which may be kept on deposit in each such-bank  
15 depository.

16 Sec. 7. Section 453.3, Code 1983, is amended to read as  
17 follows:

18 453.3 INCREASE CONDITIONALLY PROHIBITED. The maximum  
19 amount ~~so-permitted~~ approved under section 453.2 to be  
20 deposited in a named bank depository shall not be increased  
21 except with the approval of the treasurer of state.

22 Sec. 8. Section 453.4, Code 1983, is amended to read as  
23 follows:

24 453.4 LOCATION OF DEPOSITORIES. Deposits by the treasurer  
25 of state shall be in banks depositories located in this state;  
26 by a county officer or county public hospital officer or  
27 merged area hospital officer, in banks depositories located  
28 in ~~his~~ the county or in an adjoining county within this state;  
29 by a memorial hospital treasurer, in a bank depository located  
30 within this state which shall be selected by such the memorial  
31 hospital treasurer and approved by the memorial hospital  
32 commission; by a city treasurer or other city financial  
33 officer, in banks-or-bank depositories offices located in  
34 the city county in which the city is located or in an adjoining  
35 county, but in-the-event if there is no bank-or-bank depository

1 office in such the city county in which the city is located  
 2 or in an adjoining county then in any other bank-or-bank  
 3 depository office located in this state which shall be selected  
 4 as such a depository by the city council; by a school treasurer  
 5 or by a school secretary in a bank depository within this  
 6 state which shall be selected by the board of directors or  
 7 the trustees of such the school district; by a township clerk  
 8 in a bank depository located within this state which shall  
 9 be selected by such the township clerk and approved by the  
 10 trustees of such the township. ~~Provided, that~~ However,  
 11 deposits may be made in banks depositories outside of Iowa  
 12 for the purpose of paying principal and interest on bonded  
 13 indebtedness of any municipality when such the deposit is  
 14 made not more than ten days before the date such the principal  
 15 or interest becomes due. Further, the treasurer of state  
 16 may maintain an account outside the state of Iowa for the  
 17 purpose of providing custodial services for the state and  
 18 state retirement fund accounts.

5597 19 Sec. 9. Section 453.5, unnumbered paragraph 1, Code 1983,  
 20 is amended to read as follows:

21 If the duly approved banks depositories will not accept  
 22 the deposits under the conditions prescribed or authorized  
 23 in this chapter, the funds may be deposited, on the same or  
 24 better terms as were offered to the depositories, in any one  
 25 or more approved bank-or-banks depositories conveniently  
 26 located within the state.

27 Sec. 10. Section 453.6, Code 1983, is amended to read  
 28 as follows:

29 453.6 INTEREST RATE. Public deposits shall be deposited  
 30 with reasonable promptness in a depository legally designated  
 31 as depository for the funds. A committee composed of the  
 32 superintendent of banking, the auditor of state or a designee,  
 33 and the treasurer of state shall meet on or about the first  
 34 of each month or at other times as the committee may prescribe  
 35 and by majority action shall establish a minimum rate to be

1 earned on state funds placed in time deposits. State funds  
2 invested in bank depository time certificates of deposit shall  
3 draw interest at not less than the rate established, effective  
4 on the date of investment. An interest rate established by  
5 the committee under this section shall be in effect commencing  
6 on the eighth calendar day following the day the rate is  
7 established and until a different rate is established and  
8 takes effect. The committee shall give advisory notice of  
9 an interest rate established under this section. This notice  
10 may be given by publication in one or more newspapers, by  
11 publication in the Iowa administrative bulletin, by ordinary  
12 mail to persons directly affected, by any other method  
13 determined by the committee, or by a combination of these.  
14 In all cases, the notice shall be published in the Iowa  
15 administrative bulletin. The notice shall contain the  
16 following words:

17 "The rate of interest has been determined by a committee  
18 of the state of Iowa to be the minimum interest rate that  
19 shall be paid on public funds deposited in approved finan-  
20 cial institutions. To be eligible to accept deposits of  
21 public funds of the state of Iowa, a financial institution  
22 shall demonstrate a commitment to serve the needs of the  
23 local community in which it is chartered to do business.  
24 These needs include credit services as well as deposit  
25 services. All such financial institutions are required  
26 to provide the committee with a written description of  
27 their commitment to provide credit services in the com-  
28 munity. This statement is available for examination by  
29 citizens."

30 The notice shall also provide the name and address of a state  
31 official to whom inquiries can be sent. Actions of the  
32 committee under this section and section 453.6A are exempt  
33 from chapter 17A.

34 Public funds invested in bank depositories time certificates  
35 of deposit by a public body or officer other than the treasurer

1 of state shall draw interest at rates to be determined by  
2 the public body or officer and the bank depository, which  
3 rates shall not be less than the minimum rate set under this  
4 section for state funds.

5 Sec. 11. NEW SECTION. 453.6A. ELIGIBILITY FOR STATE  
6 PUBLIC FUNDS.

7 1. Public funds of the state shall not be deposited in  
8 a financial institution which does not demonstrate a commitment  
9 to serve the needs of the local community in which it is  
10 chartered to do business. These needs include credit services  
11 as well as deposit services.

12 2. In addition to establishing a minimum interest rate  
13 for public funds pursuant to section 453.6, the committee  
14 composed of the superintendent of banking, the auditor of  
15 state or a designee and the treasurer of state shall develop  
16 a list of financial institutions eligible to accept state  
17 public funds. The committee shall require that a financial  
18 institution seeking to qualify for the list shall annually  
19 provide the committee a written statement that the financial  
20 institution has a commitment to community reinvestment  
21 consistent with the safe and sound operation of a financial  
22 institution. To qualify for the list a financial institution  
23 must demonstrate a continuing commitment to meet the credit  
24 needs of the local community in which it is chartered.

25 3. The committee shall develop procedures to ensure that  
26 the financial institution's statement is available and  
27 accessible for examination by citizens. The committee shall  
28 adopt procedures for both of the following:

29 a. To receive information relating to a financial  
30 institution's commitment to community reinvestment.

31 b. To receive challenges from any person to a financial  
32 institution's continued eligibility to receive state public  
33 funds.

34 4. At least once a year the committee shall review any  
35 challenges that have been filed pursuant to subsection 2.

1 The committee may hold a public hearing to consider the  
2 challenge. In considering a challenge, the committee shall  
3 review documents filed with federal regulatory authorities  
4 pursuant to the Community Reinvestment Act, 12 U.S.C. 2901  
5 et seq. and regulations adopted pursuant to the Act, as amended  
6 to January 1, 1984. In addition, consistent with the  
7 confidentiality of financial institution records the committee  
8 shall consider other factors including, but not limited to,  
9 the following:

10 a. Activities conducted to determine the credit needs  
11 of the community.

12 b. Marketing and special credit-related programs to make  
13 citizens in the community aware of the credit services offered.

14 c. Practices intended to discourage application for types  
15 of credit set forth in the Community Reinvestment Act  
16 statement.

17 d. Geographic distribution of credit extensions, credit  
18 applications and credit denials.

19 e. Evidence of prohibited discriminatory or other illegal  
20 credit practices.

21 f. Participation in local community development and  
22 redevelopment projects.

23 g. Origination or purchase of residential mortgage loans,  
24 housing rehabilitation loans, home improvement loans and  
25 business or farm loans within the community.

26 h. Ability to meet various community credit needs based  
27 on financial condition, size, legal impediments, and local  
28 economic conditions.

29 Sec. 12. Section 453.7, subsection 1, Code 1983, is amended  
30 to read as follows:

31 1. ~~No-bank-or-trust-company~~ A depository shall, not  
32 ~~directly or indirectly, by any device whatsoever,~~ pay any  
33 interest to any a public officer on any a demand deposit of  
34 public funds, and ~~no~~ a public officer shall not take or receive  
35 ~~any~~ interest ~~whatsoever~~ on demand deposits of public funds.

1 This provision ~~shall~~ does not apply to interest on time  
2 certificates of deposit or savings accounts for public funds.

3 Sec. 13. Section 453.8, Code 1983, is amended to read  
4 as follows:

5 453.8 LIABILITY OF PUBLIC OFFICERS. No An officer who  
6 is referred to in section 453.1 ~~shall-be~~ is not liable for  
7 loss of funds by reason of the insolvency of the depository  
8 bank institution when said the funds have been deposited or  
9 invested as herein provided in this chapter. ~~Any deposit~~  
10 ~~or investment in a lawful depository upon which interest is~~  
11 ~~paid to a governmental unit under the provisions of this~~  
12 ~~chapter shall be considered legal deposits for the purposes~~  
13 ~~of chapter 454.~~

14 Sec. 14. Section 453.9, unnumbered paragraph 1, Code 1983,  
15 is amended to read as follows:

16 The governing council or board ~~who~~ which by law ~~are~~ is  
17 authorized to direct the depositing of funds ~~shall-be-a~~  
18 ~~authorized-to~~ may direct the treasurer or other designated  
19 financial officer to invest any fund not an active fund needed  
20 for current use and which is being accumulated as a sinking  
21 fund for a definite purpose, the interest on which is used  
22 for the same purpose, in savings accounts in banks  
23 depositories, in the certificates or warrants provided by  
24 section 454:19, or make in time deposits ~~of such funds~~ as  
25 provided in this chapter ~~and receive time certificates of~~  
26 ~~deposit therefor~~, or in bonds or other evidences of  
27 indebtedness issued, assumed, or guaranteed by the United  
28 States of America, or by ~~any~~ an agency or instrumentality  
29 thereof of the United States, or in local certificates or  
30 warrants issued by ~~any~~ a municipality or school district  
31 within the county, or in municipal or school district bonds  
32 which constitute a general liability, and the treasurer or  
33 other officer when so directed shall so invest ~~such~~ the fund.

34 Sec. 15. Section 453.12, Code 1983, is amended to read  
35 as follows:

1 453.12 SERVICE CHARGE BY BANK DEPOSITORY. A bank  
2 depository may make reasonable service charges with respect  
3 to the handling of any public funds, but such the service  
4 charges shall not be greater than ~~said-bank~~ the depository  
5 customarily requires from other patrons depositors for similar  
6 services.

7 Sec. 16. NEW SECTION. 453.13 DEPOSIT NOT MEMBERSHIP.  
8 Notwithstanding chapter 534, the deposit of public funds in  
9 an association defined in section 533.1 or 534.2 does not  
10 constitute being a shareholder, stockholder, or owner of a  
11 corporation in violation of Article VIII of the Constitution  
12 of the State of Iowa or any other provision of law.

13 Sec. 17. NEW SECTION. 453.15 COLLATERAL CONDITIONS.  
14 A local government shall not require a pledge of collateral  
15 for that portion of the local government's deposits in a  
16 depository institution that is covered by insurance of a  
17 federal agency or instrumentality including the federal deposit  
18 insurance corporation, the federal savings and loan insurance  
19 corporation, or the national credit union administration.

20 Sec. 18. NEW SECTION. 453.16 SECURITY FOR DEPOSIT OF  
21 PUBLIC FUNDS.

22 1. Before a deposit of public funds is made by a public  
23 officer with a depository institution in excess of the amount  
24 insured by federal deposit insurance or federal savings and  
25 loan insurance, the public officer shall obtain security for  
26 the deposit by one or more of the following:

27 a. The depository institution may give to the public  
28 officer a corporate surety bond of a surety corporation  
29 approved by the treasury department of the United States and  
30 authorized to do business in this state, which bond shall  
31 be in an amount equal to the public funds on deposit at any  
32 time. The bond shall be conditioned that the deposit shall  
33 be paid promptly on the order of the public officer making  
34 the deposit and shall be approved by the officer making the  
35 deposit.

1 b. The depository institution may deposit, maintain,  
2 pledge and assign for the benefit of the public officer in  
3 the manner provided in this chapter, securities approved by  
4 the public officer, the market value of which is not less  
5 than one hundred ten percent of the total deposits of public  
6 funds placed by that public officer in the depository  
7 institution. The securities shall consist of any of the  
8 following:

9 (1) Direct obligations of, or obligations that are insured  
10 as to principal and interest by, the United States of America  
11 or an agency or instrumentality of the United States of  
12 America.

13 (2) Public bonds or obligations of this state or a  
14 political subdivision of this state.

15 (3) To the extent of the guarantee, loans, obligations,  
16 or nontransferable letters of credit upon which the payment  
17 of principal and interest is fully secured or guaranteed by  
18 the United States of America or an agency or instrumentality  
19 of the United States of America.

20 2. If public funds are secured by both the assets of a  
21 depository institution and a bond of a surety company, the  
22 assets and bond shall be held as security for a rateable  
23 proportion of the deposit on the basis of the market value  
24 of the assets and of the total amount of the surety bonds.

25 Sec. 19. NEW SECTION. 453.17 DEPOSIT OF SECURITIES.

26 1. A depository institution which receives public funds  
27 shall pledge securities owned by it as required by this chapter  
28 in one of the following methods:

29 a. The securities shall be deposited with the county,  
30 city, or other public officers at the option of the officers.

31 b. The securities shall be deposited with a financial  
32 institution having facilities for the safekeeping of securities  
33 and doing business in the state. A financial institution  
34 which receives securities for safekeeping is liable to the  
35 public officer to whom the securities are pledged for any

1 loss suffered by the public officer if the financial  
2 institution relinquishes custody of the securities contrary  
3 to the provisions of this chapter or the instrument governing  
4 the pledge of the securities.

5 c. The securities shall be deposited with the federal  
6 reserve bank of Chicago, Illinois or the federal home loan  
7 bank of Des Moines, Iowa.

8 d. The securities may be deposited by any combination  
9 of methods specified in paragraph "a", "b", and "c".

10 2. A deposit of securities shall not be made in a facility  
11 owned or controlled directly or indirectly by the financial  
12 institution which deposits the securities.

13 3. All deposits of securities, other than deposits of  
14 securities with the appropriate public officer, shall have  
15 a joint custody receipt taken for the securities with one  
16 copy delivered to the public officer and one copy delivered  
17 to the depository institution. A depository institution  
18 pledging securities with a public officer may cause the  
19 securities to be examined in the officer's office to show  
20 the securities are placed with the officer as collateral  
21 security and are not transferable except upon the conditions  
22 provided in this chapter.

23 4. Upon written request from the appropriate public officer  
24 but not less than quarterly, a depository institution shall  
25 report the par value and the market value of any pledged  
26 collateral and the total deposits of public funds of that  
27 officer in the depository institution.

28 Sec. 20. NEW SECTION. 453.18 CONDITION OF SECURITY.  
29 The condition of the surety bond or the deposit of securities,  
30 instruments, or a joint custody receipt, must be that the  
31 depository institution will promptly pay to the parties  
32 entitled public funds, including any interest on the funds,  
33 in its custody upon lawful demand and, when required by law,  
34 pay the funds to the public officer who made the deposit.

35 Sec. 21. NEW SECTION. 453.19 WITHDRAWALS, EXCHANGES

1 OF SECURITY.

2 1. Securities pledged pursuant to this chapter may be  
3 withdrawn on application of the pledging depository institution  
4 and upon approval of the public officer to whom the securities  
5 are pledged if the deposit of securities is no longer necessary  
6 to comply with this chapter, or is required for collection  
7 by virtue of its maturity or for exchange. The depository  
8 institution shall replace securities so withdrawn for  
9 collection or exchange.

10 2. In an exchange of deposited securities for new  
11 securities, the amount of security on deposit at any time  
12 shall not be decreased below that otherwise required by this  
13 chapter.

14 3. In the event of substitution or exchange of securities,  
15 the holder or custodian of the securities shall, on the same  
16 day, forward by certified mail, return receipt requested,  
17 to the public officer and the depository institution, a receipt  
18 specifically describing and identifying both the substituted  
19 securities and those released and returned to the depository  
20 institution.

21 4. The public officer which deposits public funds with  
22 a depository institution shall require, if the market value  
23 of the securities deposited with or for the benefit of the  
24 officer falls below one hundred ten percent of the deposit  
25 liability to the public officer, the deposit of additional  
26 security to bring the total market value of the security to  
27 one hundred ten percent of the amount of public funds held  
28 by the depository.

29 Sec. 22. NEW SECTION. 453.20 DEPOSITORY INSTITUTION  
30 LIABILITY; PROCEDURE UPON DEFAULT; SALE OF SECURITY.

31 1. The depository institution, and the security given  
32 for the public funds in its hands, are liable for payment  
33 if the depository institution fails to pay a check, draft,  
34 or warrant drawn by the public officer or to account for a  
35 check, draft, warrant, order or certificate of deposit, or

1 any funds entrusted to it by the public officer.

2 2. The deposit of securities by a depository institution  
3 pursuant to this chapter constitutes consent by the depository  
4 institution to the disposition of the securities in accordance  
5 with this section.

6 3. When a depository institution is closed by order of  
7 its primary regulatory agency, the public officer shall demand  
8 and receive from each custodian the securities pledged to  
9 secure deposits of public funds and, with the advice and  
10 counsel of the committee referred to in section 453.6,  
11 liquidate in an orderly manner the securities or part of the  
12 securities as determined advisable at public or private sale  
13 and distribute the proceeds as provided in this section.

14 4. The claim of a public officer for purposes of this  
15 section shall be the amount of the officer's deposits plus  
16 interest to the date the funds are distributed to the public  
17 officer at the rate the depository institution agreed to pay  
18 on the funds reduced by the portion of the funds which is  
19 insured by federal deposit insurance.

20 5. The public officer shall remit to the depository  
21 institution any of its collateral or the proceeds of its  
22 collateral in excess of the amount so distributable to public  
23 officers.

24 6. If the net proceeds of the collateral are inadequate  
25 after all other available sources are applied, to meet the  
26 total claims of the public officials entitled to the proceeds,  
27 the public officers may make claims against the depository  
28 institution as general creditors.

29 Sec. 23. Section 524.1802, Code 1983, is amended to read  
30 as follows:

31 524.1802 LIMITATION. No

32 1. A bank holding company shall not directly or indirectly  
33 acquire ownership or control of more than twenty-five percent  
34 of the voting shares of any a bank, or the power to control  
35 in any manner the election of a majority of the directors

1 of any a bank, if upon such the acquisition the banks so owned  
2 or controlled by the bank holding company would have, in the  
3 aggregate, more than eight ten percent of the total time and  
4 demand deposits, ~~both-time-and-demand~~, of all banks in this  
5 state, as determined by the superintendent on the basis of  
6 the most recent reports of the banks in the state to their  
7 supervisory authorities which are available at the time of  
8 the acquisition.

\* 9 2. No A bank holding company shall not directly or  
10 indirectly acquire ownership or control of more than twenty-  
11 five percent of the voting shares of any a savings and loan  
12 association or savings bank, or the power to control in any  
13 manner the election of a majority of the directors of any  
14 a savings and loan association or savings bank, if upon such  
15 the acquisition the associations so owned or controlled by  
16 the bank holding company would have, in the aggregate, more  
17 than eight ten percent of the total time and demand deposits,  
18 ~~both-time-and-demand~~, of all associations and savings banks  
19 in this state, as determined by the superintendent on the  
20 basis of the most recent reports of the associations in the  
21 state to their supervisory authorities which are available  
22 at the time of the acquisition.

\* 23 Sec. 24. Section 533.4, Code 1983, is amended by adding  
24 the following new subsections:

25 NEW SUBSECTION. 22. Receive public funds pursuant to  
26 chapter 453.

27 NEW SUBSECTION. 23. Engage in any activity authorized  
28 by the administrator which would be permitted if the credit  
29 union were federally chartered and which is consistent with  
30 state law.

31 Sec. 25. NEW SECTION. 533.39 RECIPROCITY. Subject to  
32 rules of the administrator, a credit union chartered in another  
33 state may do business in Iowa subject to the applicable  
34 provisions of this chapter if credit unions chartered in Iowa  
35 may do business in the state in which the out-of-state credit

1 union is chartered.

2     Sec. 26. The treasurer of state shall close the sinking  
3 fund created by section 454.1 within one hundred twenty days  
4 after the closing of any receiverships relating to any bank  
5 failures prior to the effective date of this Act and shall  
6 pay all sums remaining in the sinking fund on that date to  
7 depository institutions in Iowa within ninety days after the  
8 sinking fund is closed in proportion to the amounts which  
9 were assessed against the depository institutions during 1983  
10 for the benefit of the sinking fund pursuant to chapter 454.

11     Sec. 27. Chapter 454, Code 1983, and Code Supplement 1983,  
12 ~~§§~~ is repealed.

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House Amendment to Senate File 2220

S-5701

1 Amend Senate File 2220 as amended, passed and  
2 reprinted by the Senate, as follows:

3 1. Page 1, line 30, by inserting after the word  
4 "bonds" the following: "prime eligible bankers  
5 acceptances, commercial paper rated within the two  
6 highest classifications of prime as established by  
7 at least one of the standard rating services approved  
8 by the superintendent of banking pursuant to chapter  
9 17A, perfected repurchase agreements,".

10 2. Page 1, by inserting after line 35 the  
11 following: "The total investment in commercial paper  
12 of any one corporation is limited to an amount not  
13 more than twenty percent of the total stockholders'  
14 equity of that corporation."

15 3. Page 4, by striking lines 19 through 26 and  
16 inserting in lieu thereof the following:

17 "Sec. 9. Section 453.5, Code 1983, is amended  
18 to read as follows:

19 453.5 REFUSAL OF DEPOSITS --PROCEDURE. If the  
20 duly approved banks depositories will not accept the  
21 deposits under the conditions prescribed or authorized  
22 in this chapter, the funds may be deposited, on the  
23 same or better terms as were offered to the  
24 depositories, in any one or more approved bank-or  
25 banks depositories conveniently located within the  
26 state.

27 ~~If-a-governmental-unit-makes-in-writing-to-all~~  
28 ~~qualified,-approved-depositories-a-bona-fide-proffer~~  
29 ~~to-deposit-public-funds-either-in-a-savings-account,~~  
30 ~~or-in-a-time-certificate-of-deposit,-and-the-proffer~~  
31 ~~is-not-then-accepted,-then-and-only-then-may-the~~  
32 ~~governmental-unit-invest-the-funds-so-declined,-on~~  
33 ~~the-same-or-better-terms-as-were-offered-to-the~~  
34 ~~depositories,-in-bonds-or-other-evidences-of~~  
35 ~~indebtedness-issued,-assumed,-or-guaranteed-by-the~~  
36 ~~United-States-of-America-or-by-any-agency-or~~  
37 ~~instrumentality-thereof.--However,-public-funds-that~~  
38 ~~will-not-be-deposited-or-invested-for-a-term-of-at~~  
39 ~~least-fifteen-days-may-be-invested,-without-prior~~  
40 ~~offer-to-an-approved-depository,-in-notes,~~  
41 ~~certificates,-bonds,-or-other-direct-obligations-of~~  
42 ~~the-United-States-or-any-of-its-agencies;~~

43 ~~In-addition-to-the-investments-herein-authorized,~~  
44 ~~the~~ The treasurer of state may invest in any of the  
45 investments authorized for the Iowa public employees'  
46 retirement system in section 97B.7, subsection 2,  
47 paragraph "b" except that investment in common stocks  
48 shall not be permitted. ~~This-section-does-not-affect~~  
49 ~~the-investment-of-funds-as-provided-in-sections-453-9~~  
50 ~~and-453-10."~~

S-5701  
PAGE 2

1 4. Page 8, by striking lines 16 through 33 and  
2 inserting in lieu thereof the following:  
3 "The governing council or board ~~who~~ which by law  
4 ~~are~~ is authorized to direct the depositing of funds  
5 ~~shall-be-authorized-to~~ may direct the treasurer or  
6 other designated financial officer to invest any fund  
7 not an active fund needed for current use and which  
8 is being accumulated as a sinking fund for a definite  
9 purpose, the interest on which is used for the same  
10 purpose, in ~~savings-accounts-in-banks,-in-the~~  
11 ~~certificates-or-warrants-provided-by-section-454.19,~~  
12 ~~or-make-time-deposits-of-such-funds-as-provided-in~~  
13 ~~this-chapter-and-receive-time-certificates-of-deposit~~  
14 ~~therefor,-or-in-bonds-or-other-evidences-of~~  
15 ~~indebtedness-issued,-assumed,-or-guaranteed-by-the~~  
16 ~~United-States-of-America,-or-by-any-agency-or~~  
17 ~~instrumentality-thereof,-or-in~~ local certificates  
18 or warrants issued by any municipality or school  
19 district within the county, ~~or~~ in municipal or school  
20 district bonds which constitute a general liability,  
21 and ~~the-treasurer-or-other-officer-when-so-directed~~  
22 ~~shall-so-invest-such-fund~~ in investments authorized  
23 in section 452.10."

24 5. Page 8, by inserting after line 33 the  
25 following:

26 "Sec. \_\_\_\_ . Section 453.10, Code 1983, is amended  
27 to read as follows:  
28 453.10 INVESTMENT OF FUNDS CREATED BY ELECTION.  
29 The governing council or board, who by law have control  
30 of any fund created by direct vote of the people,  
31 may invest any portion ~~thereof~~ of the fund not  
32 currently needed, in ~~bonds-or-other-evidences-of~~  
33 ~~indebtedness-issued,-assumed,-or-guaranteed-by-the~~  
34 ~~United-States-of-America,-or-by-any-agency-or~~  
35 ~~instrumentality-thereof,-or-make-time-deposits-of~~  
36 ~~such-funds-and-receive-time-certificates-of-deposit~~  
37 ~~therefor,-or-in-savings-accounts~~ investments authorized  
38 in section 452.10. The treasurer of state may invest  
39 in any of the investments authorized for the Iowa  
40 public employees' retirement system in section 97B.7,  
41 subsection 2, paragraph "b" except that investment  
42 in common stocks shall not be permitted. Interest  
43 or earnings on such funds shall be credited as provided  
44 in section 453.7, subsection 2."

45 6. Page 9, by inserting after line 12 the  
46 following:

47 "Sec. \_\_\_\_ . Section 453.14, unnumbered paragraph  
48 1, Code 1983, is amended to read as follows:  
49 The board of directors of a school corporation  
50 may invest any portion of the proceeds of bonds issued

S-5701  
PAGE 3

and not currently needed in-United-States-government  
bonds-or-make-time-deposits as provided in this-chapter  
section 452.10."

7. Page 10, line 31, by inserting after the words  
"shall be deposited" the words "pursuant to a bailment  
agreement".

8. Page 11, line 7, by inserting after the word  
"Iowa" the words "pursuant to a bailment agreement".

9. Page 15, line 12, by inserting after the word  
"repealed." the words "However, if pledging to secure  
the deposit of public funds has not been properly  
completed by July 1, 1984, then chapter 454 is not  
repealed until July 1, 1985."

10. Amend the title, line 3, by inserting after  
the word "funds," the words "providing for the  
investment of idle public funds,".

11. Renumbering sections to conform to this  
amendment.

S-5701 FILED  
MARCH 30, 1984

RECEIVED FROM THE HOUSE

*Senate amended & concurred 4/2 (p. 1240)*  
*Motion to reconsider prevailed*

*Senate amended per 5767 and concurred 4/4 (p. 1307)*

SENATE FILE 2220

719

Amend House amendment S-5701 to Senate File 2220  
as amended, passed and reprinted by the Senate, as  
follows:

1. Page 3, by inserting after line 3 the following:

" Page 9, line 25, by inserting after the  
word "insurance" the following: ", and before the  
investment of public funds in investments authorized  
in section 452.10 which are not obligations of or  
guaranteed by the United States government or any  
of its agencies or which exceed the amount insured  
by federal deposit insurance or federal savings and  
loan insurance ".

Page 9, line 26, by inserting after the word  
"deposit" the words "or investment".

2. Renumber as necessary.

S-5719 FILED & ADOPTED (p. 1240) BY GEORGE R. KINLEY  
APRIL 2, 1984 EDGAR H. HOLDEN

*Reconsidered & withdrawn 4/4 (p. 1307)*

SENATE FILE 2220

S-5767

1 Amend the House amendment S-5701 to Senate File  
2 2220 as amended, passed and reprinted by the Senate,  
3 as follows:  
4 1. Page 3, by inserting after line 3 the following:  
5 " Page 9, line 25, by inserting after the  
6 word "insurance" the following: ", and before the  
7 investment of public funds in investments authorized  
8 in section 452.10 which either are not obligations  
9 of or guaranteed by the United States government of  
10 any of its agencies, are in excess of the amount  
11 insured by federal deposit insurance or federal savings  
12 and loan insurance, or are investments by the treasurer  
13 of state specifically authorized by section 452.10  
14 to be made as additional investments under section  
15 97B.7, subsection 2, paragraph "b".  
16 Page 9, line 26, by inserting after the word  
17 "deposit" the words "or investment".  
18 2. Renumber as necessary.

S-5767 FILED  
APRIL 4, 1984  
ADOPTED (p. 120)

BY EDGAR H. HOLDEN  
GEORGE R. KINLEY

H-5897

1 Amend Senate File 2220, as amended, passed and  
2 reprinted by the Senate, as follows:

3 1. Page 1, line 30, by inserting after the word  
4 "bonds" the following: "prime eligible bankers  
5 acceptances, commercial paper rated within the two  
6 highest classifications of prime as established by  
7 at least one of the standard rating services, perfected  
8 repurchase agreements,".

9 2. Page 1, by inserting after line 35 the  
10 following: "The total investment in commercial paper  
11 of any one corporation is limited to an amount not  
12 more than twenty percent of the total stockholders'  
13 equity of that corporation."

14 3. Page 4, by striking lines 19 through 26 and  
15 inserting in lieu thereof the following:

16 "Sec. 9. Section 453.5, Code 1983, is amended  
17 to read as follows:

18 453.5 REFUSAL OF DEPOSITS --PROCEDURE. If the  
19 ~~duly~~ approved banks depositories will not accept the  
20 deposits under the conditions prescribed or authorized  
21 in this chapter, the funds may be deposited, on the  
22 same or better terms as were offered to the  
23 depositories, in any one or more approved bank-er  
24 banks depositories conveniently located within the  
25 state.

26 ~~---if-a-governmental-unit-makes-in-writing-to-all~~  
27 ~~qualified,-approved-depositories-a-bona-fide-proffer~~  
28 ~~to-deposit-public-funds-either-in-a-savings-account,~~  
29 ~~or-in-a-time-certificate-of-deposit,-and-the-proffer~~  
30 ~~is-not-then-accepted,-then-and-only-then-may-the~~  
31 ~~governmental-unit-invest-the-funds-so-declined,-on~~  
32 ~~the-same-or-better-terms-as-were-offered-to-the~~  
33 ~~depositories,-in-bonds-or-other-evidences-of~~  
34 ~~indebtedness-issued,-assumed,-or-guaranteed-by-the~~  
35 ~~United-States-of-America-or-by-any-agency-or~~  
36 ~~instrumentality-thereof.--However,-public-funds-that~~  
37 ~~will-not-be-deposited-or-invested-for-a-term-of-at~~  
38 ~~least-fifteen-days-may-be-invested,-without-prior~~  
39 ~~offer-to-an-approved-depository,-in-notes,~~  
40 ~~certificates,-bonds,-or-other-direct-obligations-of~~  
41 ~~the-United-States-or-any-of-its-agencies-~~

42 ~~---in-addition-to-the-investments-herein-authorized,~~  
43 the The treasurer of state may invest in any of the  
44 investments authorized for the Iowa public employees'  
45 retirement system in section 97B.7, subsection 2,  
46 paragraph "b" except that investment in common stocks  
47 shall not be permitted. ~~This-section-does-not-affect~~  
48 ~~the-investment-of-funds-as-provided-in-sections-453-9~~  
49 ~~and-453-10."~~

50 4. Page 8, by striking lines 16 through 33 and

H-5897

Page Two

1 inserting in lieu thereof the following:

2 "The governing council or board ~~who~~ which by law  
3 are is authorized to direct the depositing of funds  
4 ~~shall be authorized to~~ may direct the treasurer or  
5 other designated financial officer to invest any fund  
6 not an active fund needed for current use and which  
7 is being accumulated as a sinking fund for a definite  
8 purpose, the interest on which is used for the same  
9 purpose, ~~in savings accounts in banks, in the~~  
10 ~~certificates or warrants provided by section 454.19,~~  
11 ~~or make time deposits of such funds as provided in~~  
12 ~~this chapter and receive time certificates of deposit~~  
13 ~~therefor, or in bonds or other evidences of~~  
14 ~~indebtedness issued, assumed, or guaranteed by the~~  
15 ~~United States of America, or by any agency or~~  
16 ~~instrumentality thereof, or in local certificates~~  
17 or warrants issued by any municipality or school  
18 district within the county, ~~or~~ in municipal or school  
19 district bonds which constitute a general liability,  
20 and ~~the treasurer or other officer when so directed~~  
21 ~~shall so invest such fund~~ in investments authorized  
22 in section 452.10."

23 5. Page 8, by inserting after line 33 the  
24 following:

25 "Sec. \_\_\_\_ Section 453.10, Code 1983, is amended  
26 to read as follows:

27 453.10 INVESTMENT OF FUNDS CREATED BY ELECTION.  
28 The governing council or board, who by law have control  
29 of any fund created by direct vote of the people,  
30 may invest any portion ~~thereof~~ of the fund not  
31 currently needed, in ~~bonds or other evidences of~~  
32 ~~indebtedness issued, assumed, or guaranteed by the~~  
33 ~~United States of America, or by any agency or~~  
34 ~~instrumentality thereof, or make time deposits of~~  
35 ~~such funds and receive time certificates of deposit~~  
36 ~~therefor, or in savings accounts~~ investments authorized  
37 in section 452.10. The treasurer of state may invest  
38 in any of the investments authorized for the Iowa  
39 public employees' retirement system in section 97B.7,  
40 subsection 2, paragraph "b" except that investment  
41 in common stocks shall not be permitted. Interest  
42 or earnings on such funds shall be credited as provided  
43 in section 453.7, subsection 2."

44 6. Page 9, by inserting after line 12 the  
45 following:

46 "Sec. \_\_\_\_ Section 453.14, unnumbered paragraph  
47 1, Code 1983, is amended to read as follows:

48 The board of directors of a school corporation  
49 may invest any portion of the proceeds of bonds issued  
50 and not currently needed ~~in United States government~~

H-5897

Page Three

1 ~~bonds-or-make-time-deposits~~ as provided in this-chapter  
2 section 452.10."

3 7. Amend the title, line 3, by inserting after  
4 the word "funds," the words "providing for the  
5 investment of idle public funds,".

6 8. By renumbering sections to conform to this  
7 amendment.

BY O'KANE of Woodbury

H-5897 FILED MARCH 27, 1984

CHIODO of Polk

*Adopted as amended by 5964 3/28 (p. 1395)*

SENATE FILE 2220

H-5830

1 Amend Senate File 2220 as amended, passed and  
2 reprinted by the Senate, as follows:

3 1. Page 10, line 31, by inserting after the words  
4 "shall be deposited" the words "pursuant to a bailment  
5 agreement".

6 2. Page 11, line 7, by inserting after the word  
7 "Iowa" the words "pursuant to a bailment agreement".

8 3. Page 15, line 12, by inserting after the word  
9 "repealed." the words "However, if pledging to secure  
10 the deposit of public funds has not been properly  
11 completed by July 1, 1984, then chapter 454 is not  
12 repealed until July 1, 1985."

H-5830 FILED MARCH 23, 1984 BY COMMITTEE ON SMALL BUSINESS AND  
COMMERCE

*Adopted 3/28 (p. 1392)*

SENATE FILE 2220

H-5904

1 Amend amendment H-5897 to Senate File 2220 as  
2 amended, passed and reprinted by the Senate, as  
3 follows:

4 1. Page 1, line 7, by inserting after the word  
5 "services" the words and figure "approved by the  
6 superintendent of banking pursuant to chapter 17A".

H-5904 FILED MARCH 28, 1984 BY SCHROEDER of Pottawattamie  
ADOPTED (p. 1395)

SENATE FILE 2220

H-5903

1 Amend Senate File 2220 as amended, passed and  
2 reprinted by the Senate as follows:

3 1. Page 14, by inserting after line 22 the  
4 following:

5 "3. A bank holding company shall not acquire a  
6 bank, savings bank, or savings and loan association  
7 which is engaged in real estate brokerage beyond that  
8 permitted federally-chartered banks, savings banks,  
9 and savings and loan associations unless the bank  
10 holding company ceases the real estate brokerage  
11 activity at the acquired financial institution that  
12 is in excess of the federal limitations. However,  
13 this subsection shall not apply if the bank, which  
14 is engaged in real estate brokerage in excess of the  
15 federal limitations that the bank holding company  
16 is seeking to acquire, is located in a municipality  
17 of five thousand population or less."

H-5903 FILED MARCH 28, 1984 BY SKOW of Guthrie  
MOTION TO SUSPEND RULES LOST

(p. 1396)

SENATE AMENDMENT TO  
HOUSE AMENDMENT TO SENATE FILE 2220

H-6100

1 Amend the House amendment S-5701 to Senate File  
2 2220 as amended, passed and reprinted by the Senate,  
3 as follows:

4 1. Page 3, by inserting after line 3 the following:

5 "\_\_\_\_. Page 9, line 25, by inserting after the  
6 word "insurance" the following: ", and before the  
7 investment of public funds in investments authorized  
8 in section 452.10 which either are not obligations  
9 of or guaranteed by the United States government of  
10 any of its agencies, are in excess of the amount  
11 insured by federal deposit insurance or federal savings  
12 and loan insurance, or are investments by the treasurer  
13 of state specifically authorized by section 452.10  
14 to be made as additional investments under section  
15 97B.7, subsection 2, paragraph "b".

16 \_\_\_\_\_. Page 9, line 26, by inserting after the word  
17 "deposit" the words "or investment".

18 2. Renumber as necessary.

H-6100 FILED APRIL 4, 1984

RECEIVED FROM THE SENATE

*House concerned 4/12 (p. 1948)*

SENATE FILE 2220

S-5302

1 Amend Senate amendment S-5253 to Senate File 2220  
2 as follows:  
3 1. Page 1, by striking lines 2 through 15 and  
4 inserting in lieu thereof the following:  
5 "1. Page 17, by striking line 3 and inserting  
6 in lieu thereof the words "in Minnesota".  
7 2. Page 17, line 4, by striking the word "States".  
8 3. Page 17, by striking lines 10 and 11 and  
9 inserting in lieu thereof the following: "in  
10 subsection 2 restricting reciprocity to Minnesota,  
11 then all of".  
12 4. Page 17, by striking lines 22 through 25 and  
13 inserting in lieu thereof the following: "1971.  
14 However, a bank holding company that is itself owned  
15 or controlled, directly or indirectly, by another  
16 bank holding company shall be deemed to be located  
17 in the state in which the operations of the banking  
18 subsidiaries of its parent bank holding company are  
19 "principally conducted" as defined in 12 U.S.C. sec.  
20 1842 (d), as amended to January 1, 1971.""

S-5302 FILED & LOST  
MARCH 8, 1984 (p. 733)

BY MILO COLTON

SENATE FILE 2220

S-5306

1 Amend Senate amendment, S-5253 to Senate File 2220  
2 as follows:  
3 1. Page 1, by striking lines 2 through 15 and  
4 inserting in lieu thereof the following:  
5 "1. Page 17, line 8, by inserting after the word  
6 "state." the following: "Before an out-of-state bank  
7 holding company may acquire voting shares, an interest  
8 in, or control of banks located in this state, the  
9 bank holding company shall demonstrate to the committee  
10 established in section 11, subsection 2 of this Act,  
11 and to the board of governors of the federal reserve  
12 system a commitment to community reinvestment and  
13 economic development consistent with safe and sound  
14 operation of its banks in those states in which it  
15 owns banks and shall demonstrate a commitment to meet  
16 the credit needs of those communities in which the  
17 banks the bank holding company seeks to acquire voting  
18 shares, an interest in, or control of, are located.  
19 The committee shall adopt rules in accordance with  
20 chapter 17A to implement the provisions of this  
21 section."  
22 2. Page 17, by striking lines 24 and 25 and  
23 inserting in lieu thereof the words "Nebraska, South  
24 Dakota, Minnesota, and Wisconsin."  
25 3. Renumber as necessary.

S-5306 FILED  
MARCH 8, 1984  
DIVISION A--LOST (p. 734)  
DIVISION B--WITHDRAWN

BY ARTHUR A. SMALL, JR.  
EDGAR H. HOLDEN  
GEORGE R. KINLEY

SENATE 11  
MARCH 8, 1984

SENATE FILE 2220

S-5296

Amend Senate amendment S-5253 to Senate File 2220  
as follows:  
1. Page 1, by striking lines 2 through 15 and  
inserting in lieu thereof the following:  
"1. Page 17, line 8, by inserting after the word  
"state." the following: "An out-of-state bank holding  
company shall not acquire voting shares, an interest  
in, or control of banks, savings and loan associations,  
or savings banks in this state if at the time of  
initial acquisition in this state the out-of-state  
bank holding company owns interest in or controls  
banks in excess of ten percent of the total time and  
demand deposits in all banks in this state for the  
preceding calendar year."

S-5296 FILED  
MARCH 7, 1984  
*M/D 3/8 (p. 732)*

BY EDGAR H. HOLDEN  
GEORGE KINLEY

SENATE FILE 2220

S-5297

Amend Senate File 2220 as follows:  
1. Page 17, by striking lines 30 through 35.  
2. Title page, by striking lines 9 and 10 and  
inserting in lieu thereof the words "holding  
companies."

S-5297 FILED  
MARCH 7, 1984

BY GEORGE KINLEY

*Placed out of order 3/8 (p. 735)*

SENATE FILE 2220

S-5298

Amend Senate amendment, S-5253 to Senate File 2220  
as follows:  
1. Page 1, by striking lines 2 through 15 and  
inserting in lieu thereof the following:  
"1. Page 17, line 8, by inserting after the word  
"state." the following: "Before an out-of-state bank  
holding company may acquire voting shares, an interest  
in, or control of banks located in this state, the  
bank holding company shall demonstrate to the board  
of governors of the federal reserve system a commitment  
to community reinvestment and economic development  
consistent with safe and sound operation of its banks  
in those states in which it owns banks and shall  
demonstrate a commitment to meet the credit needs  
of those communities in which the banks the bank  
holding company seeks to acquire voting shares, an  
interest in, or control of, are located."  
2. Page 17, by striking lines 24 and 25 and  
inserting in lieu thereof the words "Nebraska, South  
Dakota, Minnesota, and Wisconsin."  
3. Renumber as necessary."

S-5298 FILED  
MARCH 7, 1984  
*M/D 3/8 (p. 733)*

BY ARTHUR A. SMALL, JR.  
EDGAR H. HOLDEN  
GEORGE R. KINLEY

SENATE FILE 2220

S-5283

1 Amend amendment S-5253 to Senate File 2220 as  
2 follows:

3 1. Page 1, by striking lines 2 through 15 and  
4 inserting in lieu thereof the following:

5 "1. Page 17, by striking lines 23 through 25 and  
6 inserting in lieu thereof the words "of the United  
7 States" means the states of Iowa, Nebraska, and  
8 Minnesota."

S-5283 FILED  
MARCH 7, 1984  
*Loss 2/7 (p. 705)*

BY GEORGE KINLEY  
NORMAN RODGERS MILO COLTON  
JAMES WELLS C. JOSEPH COLEMAN  
HURLEY W. HALL DAVID READINGER  
JULIA B. GENTLEMAN

SENATE FILE 2220

S-5288

1 Amend Senate File 2220 as follows:

2 1. Page 3, line 33, by striking the word "city"  
3 and inserting in lieu thereof the words "city county  
4 in which the city is located or in an adjoining county".

5 2. Page 3, line 34, by striking the word "city"  
6 and inserting in lieu thereof the words "city county  
7 in which the city is located or in an adjoining county".

S-5288 FILED & LOST (p. 706) BY PATRICK J. DELUHERY  
MARCH 7, 1984  
RECONSIDERED & ADOPTED (p. 707)

SENATE FILE 2220

S-5295

1 Amend Senate amendment, S-5253 to Senate File 2220  
2 as follows:

3 1. Page 1, by striking lines 11 and 14 and  
4 inserting in lieu thereof the following:

5 "4. By striking page 15, line 17 through page  
6 16, line 22.

7 5. Page 17, line 1, by inserting after the word  
8 "state" the following: ", or unless the bank holding  
9 company had entered into a contract on or before  
10 January 1, 1984, to acquire, directly or indirectly,  
11 voting shares, an interest in, or control of a bank  
12 holding company or a bank located in this state".

13 6. Page 17, by striking lines 2 through 25.

14 7. Title page, line 8, by striking the words "and  
15 geographic".

16 8. Title page, line 9, by inserting after the  
17 word "companies," the words "and permitting an out-  
18 of-state bank holding company to do business in this  
19 state under certain conditions, "."

S-5295 FILED  
MARCH 7, 1984  
*4/15 3/8 (p. 734)*

BY GEORGE KINLEY

SENATE FILE 2220

S-5250

- 1 Amend Senate File 2220 as follows:  
2 1. Page 4, line 13, by inserting after the word  
3 "due." the words "Further, the treasurer of state may  
4 maintain an account outside the state of Iowa for the  
5 purpose of providing custodial services for the  
6 state and state retirement fund accounts."

S-5250 FILED

BY CHARLES BRUNER

MARCH 6, 1984

*Adopted 3/7 (p. 703)*

SENATE FILE 2220

S-5254

- 1 Amend Senate File 2220 as follows:  
2 1. Page 17, line 27, by striking the word  
3 "subsection" and inserting in lieu thereof the word  
4 "subsections".  
5 2. Page 17, by inserting after line 29 the  
6 following:  
7 "NEW SUBSECTION. 23. Engage in any activity  
8 authorized by the administrator which would be  
9 permitted if the credit union were federally chartered  
10 and which is consistent with state law."

S-5254 FILED

BY TED ANDERSON

MARCH 6, 1984

*Adopted 3/7 (p. 706)*

SENATE FILE 2220

S-5264

- 1 Amend Senate File 2220 as follows:  
2 1. <sup>Page 16 line</sup> Page 22, by inserting after the word "Iowa."  
3 the words "However, a bank holding company that is  
4 itself owned or controlled, directly or indirectly,  
5 by another bank holding company shall be deemed to be  
6 located in the state in which the operations of the  
7 banking subsidiaries of its parent bank holding comp-  
8 any are "principally conducted" as defined in 12 U.S.C.  
9 section 1842(d), as amended to January 1, 1971."

S-5264 FILED

BY WILLIAM D. PALMER

MARCH 6, 1984

*Out of order 3/7 (p. 706)*

SENATE FILE 2220

S-5279

- 1 Amend Senate File 2220 as follows:  
2 1. Page 17, line 22, by inserting after the figure  
3 "1971." the words "However, a bank holding company  
4 that is itself owned or controlled, directly or in-  
5 directly, by another bank holding company shall be  
6 deemed to be located in the state in which the oper-  
7 ations of the banking subsidiaries of its parent bank  
8 holding company are "principally conducted" as de-  
9 finied in 12 U.S.C. section 1842(d), as amended to  
10 January 1, 1971."

S-5279 FILED

BY WILLIAM D. PALMER

MARCH 7, 1984

*Placed out of order 3/8 (p. 135)*

SENATE 7  
MARCH 7, 1984

SENATE FILE 2220

S-5252

- 1 Amend Senate File 2220 as follows:  
2 1. Page 3, line 1, by inserting after the word  
3 "bank" the words "or any office thereof".  
4 2. Page 3, line 2, by inserting after the word  
5 "association" the words "or any branch thereof".  
6 3. Page 3, line 3, by inserting after the word  
7 "bank" the words "or any branch thereof".  
8 4. Page 3, line 32, by striking the words "or  
9 depository offices" and inserting in lieu thereof the  
10 word "offices".  
11 5. Page 3, line 34, by striking the words "or  
12 depository office" and inserting in lieu thereof the  
13 word "office".  
14 6. Page 3, line 35, by striking the words "or  
15 depository office" and inserting in lieu thereof the  
16 word "office".  
17 7. Page 18, by striking lines 3 through 5 and  
18 inserting in lieu thereof the words "after the closing  
19 of any receiverships relating to any bank failures  
20 prior to the effective date of this Act and shall  
21 pay all sums remaining in the".

S-5252 FILED

BY EDGAR H. HOLDEN

MARCH 6, 1984

*Adopted 3/7/84 (p. 703)*

SENATE FILE 2220

<sup>5306</sup>  
<sup>5298, 5307</sup>  
<sup>5283, 5296</sup>  
*amended* S-5253

- 1 Amend Senate File 2220 as follows:  
2 1. Page 13, by striking line 27 and inserting  
3 in lieu thereof the following:  
4 "1. A".  
5 2. By striking page 14, line 5 through page 15,  
6 line 1.  
7 3. Page 15, by striking lines 2 and 3 and inserting  
8 in lieu thereof the following:  
9 2. No A bank holding company shall not directly  
10 or indirectly acquire".  
11 4. By striking page 15, line 17 through page 17,  
12 line 25.  
13 5. Amend the title, line 8, by striking the words  
14 "and geographic".  
15 6. By renumbering as necessary.

S-5253 FILED

BY TED ANDERSON

MARCH 6, 1984

JACK RIFE

*Adopted 3/8 (p. 735)*

BILL HUTCHINS

JOHN JENSEN

S-5247

1 Amend Senate File 2220 as follows:

2 1. Page 13, by inserting after line 23 the  
3 following:

4 "Sec.         . NEW SECTION. 453.21 LOCAL GOVERNMENT  
5 INVESTMENT POOL.

6 1. A local government investment pool is created,  
7 consisting of all funds from local governments that  
8 are placed in the custody of the treasurer of state  
9 for investment as provided in this chapter.

10 2. The treasurer of state shall administer the  
11 local government investment pool on behalf of the  
12 participating local governments. The treasurer of  
13 state shall adopt rules pursuant to chapter 17A as  
14 necessary for the efficient administration of the  
15 pool including, but not limited to, the following:

16 a. Specification of minimum amounts which may  
17 be deposited in the pool and minimum periods of time  
18 for which deposits shall be retained in the pool.

19 b. Creation of a reserve for losses.

20 c. Payment of administrative expenses from the  
21 earnings of the pool.

22 d. Distribution of the earnings in excess of  
23 expenses or allocation of losses to the participants  
24 in proportion to the differing amounts of their  
25 respective investments and the differing periods of  
26 time for which the amounts were in the custody of  
27 the pool.

28 e. Procedures for the deposit and withdrawal of  
29 funds.

30 f. Procedures for receiving comment from  
31 organizations representing local political subdivisions  
32 including, but not limited to, the city finance  
33 committee created in section 384.13 and the county  
34 finance committee created in chapter 333A.

35 3. The treasurer of state shall invest moneys  
36 in the local government investment pool with the  
37 degree of judgment and care which persons of prudence,  
38 discretion, and intelligence exercise in the management  
39 of their own affairs, not for speculation but for  
40 investment, considering the probable safety of their  
41 capital and the probable income to be derived. The  
42 investments for pool assets shall be limited to those  
43 investments authorized for the treasurer of state  
44 in section 452.10. However, the total investment  
45 in commercial paper of any one corporation is limited  
46 to not more than twenty percent of the total  
47 stockholders' equity of the corporation.

48 4. The governing body of a local government having  
49 funds which are available for investment and which  
50 are not required by law or by covenant or agreement

S-5247  
PAGE 2

1 with bondholders or others to be segregated and  
2 invested in a different manner, may direct its  
3 treasurer to remit the funds to the treasurer of state  
4 for investment as part of the local government  
5 investment pool.

6 5. A separate account designated by name and  
7 number for each participant in the fund shall be kept  
8 to record individual transactions and totals of all  
9 investments belonging to each participant. A monthly  
10 report showing the changes in investments made during  
11 the preceding month shall be furnished to each  
12 participant having an interest in the investment pool.  
13 Details of an investment transaction shall be furnished  
14 to any participant upon request.

15 6. The principal and accrued income, or any part  
16 of the principal and accrued income, of each account  
17 maintained for a participant in the investment pool  
18 are payable at any time from the pool upon request,  
19 subject to the minimum investment period established  
20 under subsection 2, paragraph a.

21 7. The instruments of title of all investments  
22 of the investment pool shall remain in the custody  
23 of the treasurer of state. However, the treasurer  
24 of state may deposit with one or more fiscal agents  
25 or banks selected instruments of title which are to  
26 be held in safekeeping for collection of the principal  
27 and interest or other income or the proceeds of sale.  
28 The treasurer of state shall collect, when due and  
29 payable, the principal and interest or other income  
30 from investments of the investment pool, the  
31 instruments of title to which are in the treasurer's  
32 custody.

33 8. If a default in the payment of principal or  
34 interest or other income of an investment of the  
35 investment pool occurs, the treasurer of state may  
36 take one or more of the following actions:

37 a. Institute the proper proceedings to collect  
38 the matured principal or interest or other income.

39 b. Accept for exchange purposes refunding bonds  
40 or other evidences of indebtedness at interest rates  
41 to be agreed upon by the treasurer of state and the  
42 obligor.

43 c. Adjust or dispose of the matured principal  
44 or interest or other income as the treasurer of state  
45 considers advisable for the purpose of protecting  
46 the moneys invested.

47 d. Make adjustments to future payments of principal  
48 or interest or other income as the treasurer of state  
49 considers advisable for the purpose of protecting  
50 the moneys invested.

- 1 9. An order for a warrant shall not be issued
- 2 upon an account in an amount greater than the total
- 3 amount of the particular account to which it applies.
- 4 If an order for issuance of a warrant in excess of
- 5 the total amount of an account is issued, the treasurer
- 6 of state is liable under the treasurer's official
- 7 bond for the entire overdraft resulting from the
- 8 payment if made.
- 9 10. Subject to the objectives and requirements
- 10 of this section, the treasurer of state shall formulate
- 11 policies for the investment and reinvestment of funds
- 12 in the investment pool and the acquisition, retention,
- 13 management, and disposition of investments of the
- 14 investment pool."
- 15 2. Title page, line 6, by inserting after the
- 16 word "assets," the words "providing for the investment
- 17 of idle public funds,".
- 18 3. Renumber as necessary.

S-5247 FILED  
 MARCH 5, 1984  
*7/15 3/7 (p. 704)*

BY PATRICK J. DELUHERY  
 JAMES V. GALLAGHER  
 TOM MANN, JR.  
 CHARLES BRUNER

JAMES D. WELLS  
 CHARLES P. MILLER

SENATE FILE 2220

5248

1 Amend Senate File 2220 as follows:

2 1. Page 10, by inserting after line 14 the  
 3 following:

4 "c. The depository institution may deposit,  
 5 maintain, pledge, and assign for the benefit of the  
 6 public officer in the manner provided in this chapter,  
 7 promissory notes which are secured by residential  
 8 real estate liens and approved by the public officer.  
 9 The face value of the promissory notes shall not be  
 10 less than one hundred thirty percent of the total  
 11 deposits of public funds placed by that public officer  
 12 in the depository institution for which security is  
 13 not otherwise provided under this section. Not more  
 14 than fifty percent of the public funds on deposit  
 15 with a depository shall be secured by promissory notes  
 16 under this paragraph. "Residential real estate liens"  
 17 are first mortgages or deeds of trust on residential  
 18 real estate located in the state where the principal  
 19 debt on the promissory note secured by the lien does  
 20 not exceed eighty percent of the appraised value of  
 21 the real estate as of the date of the lien. Promissory  
 22 notes secured by residential real estate liens are  
 23 "securities" for the purposes of this chapter."

5248 FILED  
 MARCH 5, 1984  
*Sent 3/7 (p. 704)*

BY RICHARD F. DRAKE  
 BERL E. PRIEBE

SENATE FILE 2220

AN ACT

RELATING TO FINANCIAL INSTITUTIONS BY ALLOWING SAVINGS AND LOAN ASSOCIATIONS, SAVINGS BANKS AND CREDIT UNIONS TO ACCEPT PUBLIC FUNDS, PROVIDING FOR THE INVESTMENT OF IDLE PUBLIC FUNDS, REQUIRING A COMMITMENT TO COMMUNITY REINVESTMENT TO RECEIVE STATE PUBLIC FUNDS, PROVIDING FOR THE GIVING OF NOTICE ON MINIMUM INTEREST RATES FOR PUBLIC FUNDS, PROVIDING FOR THE PLEDGING OF ASSETS, PROVIDING FOR THE DISSOLUTION OF THE STATE SINKING FUND, EXPANDING THE DEPOSIT LIMITS FOR BANK HOLDING COMPANIES, AND PROVIDING RECIPROCITY FOR CREDIT UNIONS.

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

Section 1. Section 175.6, subsection 9, Code 1983, is amended to read as follows:

9. Subject to any an agreement with bondholders or noteholders, invest or deposit moneys of the authority in any a manner determined by the authority, notwithstanding ~~the provisions of chapters~~ chapter 452, or 453 or-454.

Sec. 2. Section 220.5, subsection 9, Code 1983, is amended to read as follows:

9. Subject to any an agreement with bondholders or noteholders, invest or deposit moneys of the authority in any a manner determined by the authority, notwithstanding ~~the provisions of chapters~~ chapter 452, or 453 or-454.

Sec. 3. Section 307B.7, subsection 11, Code Supplement 1983, is amended to read as follows:

11. Invest or deposit moneys of the authority, subject to any an agreement with bondholders or noteholders, in any a manner determined by the authority, notwithstanding ~~the provisions of~~ chapter 452, or 453 or-454.

Sec. 4. Section 452.10, Code 1983, is amended to read as follows:

452.10 CUSTODY OF PUBLIC FUNDS--INVESTMENT OR DEPOSIT. The treasurer of state and the treasurer of each political subdivision shall at all times keep all funds coming into their possession as public money, in a vault or safe, to be provided for that purpose, or in ~~some bank legally designated as a depository for such funds~~ one or more depositories. However, the treasurer of state and the treasurer of each political subdivision shall invest, unless otherwise provided, any of the public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, commercial paper rated within the two highest classifications of prime as established by at least one of the standard rating services approved by the superintendent of banking pursuant to chapter 17A, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies; or make in time deposits of such funds in banks depositories as provided in chapter 453 and receive time certificates of deposit therefor; or in savings accounts in banks depositories. The total investment in commercial paper of any one corporation is limited to an amount not more than twenty percent of the total stockholders' equity of that corporation. The treasurer of state may invest any of the funds in ~~his~~ the treasurer's custody in any of the investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b" except that investment in common stocks ~~shall is~~ is not be permitted. As used in this section, "depository" means a financial institution designated as a legal depository under chapter 453.

Sec. 5. Section 453.1, Code Supplement 1983, is amended to read as follows:

453.1 DEPOSITS IN GENERAL. All funds held in the hands of the following officers or institutions shall be deposited

in banks one or more depositories first approved by the appropriate governing body as indicated: For the treasurer of state, by the executive council; for judicial officers and court employees, by the supreme court; for the county treasurer, recorder, auditor, sheriff, by the board of supervisors; for the city treasurer, by the city council; for the county public hospital or merged area hospital, by the board of hospital trustees; for a memorial hospital, by the memorial hospital commission; for a school corporation, by the board of school directors; for a city utility or combined utility system established under chapter 388, by the utility board; for a regional library established under chapter 303B, by the regional board of library trustees; and for an electric power agency as defined in section 28F.2, by the governing body of the electric power agency. However, the treasurer of state and the treasurer of each political subdivision shall invest all funds not needed for current operating expenses in time certificates of deposit in banks listed-as approved depositories pursuant to this chapter or in investments permitted by section 452.10. The list of public depositories and the amounts severally deposited in the depositories shall-be-a-matter are matters of public record. "Bank"-means-a-bank-or-a-private-bank,-as-defined in-section-524-103- As used in this chapter, "depository" means a bank or any office thereof whose accounts are insured by the federal deposit insurance corporation, or a savings and loan association or any branch thereof or a savings bank or any branch thereof whose accounts are insured by the federal savings and loan insurance corporation, or a credit union insured by the national credit union administration.

Sec. 6. Section 453.2, Code 1983, is amended to read as follows:

453.2 APPROVAL--REQUIREMENTS. The approval of a bank financial institution as a depository shall be by written resolution or order which shall be entered of record in the minutes of the approving board, and which shall distinctly

name each bank depository approved, and specify the maximum amount which may be kept on deposit in each such-bank depository.

Sec. 7. Section 453.3, Code 1983, is amended to read as follows:

453.3 INCREASE CONDITIONALLY PROHIBITED. The maximum amount ~~se-permitted~~ approved under section 453.2 to be deposited in a named bank depository shall not be increased except with the approval of the treasurer of state.

Sec. 8. Section 453.4, Code 1983, is amended to read as follows:

453.4 LOCATION OF DEPOSITORIES. Deposits by the treasurer of state shall be in banks depositories located in this state; by a county officer or county public hospital officer or merged area hospital officer, in banks depositories located in ~~his~~ the county or in an adjoining county within this state; by a memorial hospital treasurer, in a bank depository located within this state which shall be selected by such the memorial hospital treasurer and approved by the memorial hospital commission; by a city treasurer or other city financial officer, in banks-or-bank depositories offices located in the city county in which the city is located or in an adjoining county, but ~~in-the-event if~~ if there is no bank-or-bank depository office in such the city county in which the city is located or in an adjoining county then in any other bank-or-bank depository office located in this state which shall be selected as such a depository by the city council; by a school treasurer or by a school secretary in a bank depository within this state which shall be selected by the board of directors or the trustees of such the school district; by a township clerk in a bank depository located within this state which shall be selected by such the township clerk and approved by the trustees of such the township. ~~Provided,-that~~ However, deposits may be made in banks depositories outside of Iowa for the purpose of paying principal and interest on bonded indebtedness of any municipality when such the deposit is

made not more than ten days before the date such the principal or interest becomes due. Further, the treasurer of state may maintain an account outside the state of Iowa for the purpose of providing custodial services for the state and state retirement fund accounts.

Sec. 9. Section 453.5, Code 1983, is amended to read as follows:

453.5 REFUSAL OF DEPOSITS--PROCEDURE. If the duly approved banks depositories will not accept the deposits under the conditions prescribed or authorized in this chapter, the funds may be deposited, on the same or better terms as were offered to the depositories, in any one or more approved bank-or-banks depositories conveniently located within the state.

~~If a governmental unit makes in writing to all qualified, approved depositories a bona fide proffer to deposit public funds either in a savings account, or in a time certificate of deposit, and the proffer is not then accepted, then and only then may the governmental unit invest the funds so declined, on the same or better terms as were offered to the depositories, in bonds or other evidences of indebtedness issued, assumed, or guaranteed by the United States of America or by any agency or instrumentality thereof. However, public funds that will not be deposited or invested for a term of at least fifteen days may be invested, without prior offer to an approved depository, in notes, certificates, bonds, or other direct obligations of the United States or any of its agencies.~~

~~In addition to the investments herein authorized, the The treasurer of state may invest in any of the investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b" except that investment in common stocks shall not be permitted. This section does not affect the investment of funds as provided in sections 453.9 and 453.10.~~

Sec. 10. Section 453.6, Code 1983, is amended to read as follows:

453.6 INTEREST RATE. Public deposits shall be deposited with reasonable promptness in a depository legally designated as depository for the funds. A committee composed of the superintendent of banking, the auditor of state or a designee, and the treasurer of state shall meet on or about the first of each month or at other times as the committee may prescribe and by majority action shall establish a minimum rate to be earned on state funds placed in time deposits. State funds invested in bank depository time certificates of deposit shall draw interest at not less than the rate established, effective on the date of investment. An interest rate established by the committee under this section shall be in effect commencing on the eighth calendar day following the day the rate is established and until a different rate is established and takes effect. The committee shall give advisory notice of an interest rate established under this section. This notice may be given by publication in one or more newspapers, by publication in the Iowa administrative bulletin, by ordinary mail to persons directly affected, by any other method determined by the committee, or by a combination of these. In all cases, the notice shall be published in the Iowa administrative bulletin. The notice shall contain the following words:

"The rate of interest has been determined by a committee of the state of Iowa to be the minimum interest rate that shall be paid on public funds deposited in approved financial institutions. To be eligible to accept deposits of public funds of the state of Iowa, a financial institution shall demonstrate a commitment to serve the needs of the local community in which it is chartered to do business. These needs include credit services as well as deposit services. All such financial institutions are required to provide the committee with a written description of their commitment to provide credit services in the community. This statement is available for examination by citizens."

The notice shall also provide the name and address of a state official to whom inquiries can be sent. Actions of the committee under this section and section 453.6A are exempt from chapter 17A.

Public funds invested in bank depositories time certificates of deposit by a public body or officer other than the treasurer of state shall draw interest at rates to be determined by the public body or officer and the bank depository, which rates shall not be less than the minimum rate set under this section for state funds.

Sec. 11. NEW SECTION. 453.6A ELIGIBILITY FOR STATE PUBLIC FUNDS.

1. Public funds of the state shall not be deposited in a financial institution which does not demonstrate a commitment to serve the needs of the local community in which it is chartered to do business. These needs include credit services as well as deposit services.

2. In addition to establishing a minimum interest rate for public funds pursuant to section 453.6, the committee composed of the superintendent of banking, the auditor of state or a designee and the treasurer of state shall develop a list of financial institutions eligible to accept state public funds. The committee shall require that a financial institution seeking to qualify for the list shall annually provide the committee a written statement that the financial institution has a commitment to community reinvestment consistent with the safe and sound operation of a financial institution. To qualify for the list a financial institution must demonstrate a continuing commitment to meet the credit needs of the local community in which it is chartered.

3. The committee shall develop procedures to ensure that the financial institution's statement is available and accessible for examination by citizens. The committee shall adopt procedures for both of the following:

a. To receive information relating to a financial institution's commitment to community reinvestment.

b. To receive challenges from any person to a financial institution's continued eligibility to receive state public funds.

4. At least once a year the committee shall review any challenges that have been filed pursuant to subsection 2. The committee may hold a public hearing to consider the challenge. In considering a challenge, the committee shall review documents filed with federal regulatory authorities pursuant to the Community Reinvestment Act, 12 U.S.C. 2901 et seq. and regulations adopted pursuant to the Act, as amended to January 1, 1984. In addition, consistent with the confidentiality of financial institution records the committee shall consider other factors including, but not limited to, the following:

- a. Activities conducted to determine the credit needs of the community.
- b. Marketing and special credit-related programs to make citizens in the community aware of the credit services offered.
- c. Practices intended to discourage application for types of credit set forth in the Community Reinvestment Act statement.
- d. Geographic distribution of credit extensions, credit applications and credit denials.
- e. Evidence of prohibited discriminatory or other illegal credit practices.
- f. Participation in local community development and redevelopment projects.
- g. Origination or purchase of residential mortgage loans, housing rehabilitation loans, home improvement loans and business or farm loans within the community.
- h. Ability to meet various community credit needs based on financial condition, size, legal impediments, and local economic conditions.

Sec. 12. Section 453.7, subsection 1, Code 1983, is amended to read as follows:

1. ~~No bank or trust company~~ A depository shall, ~~not~~ directly or indirectly, ~~by any device whatsoever,~~ pay any interest to ~~any a~~ public officer on ~~any a~~ demand deposit of public funds, and ~~no a~~ public officer shall ~~not~~ take or receive any interest ~~whatsoever~~ on demand deposits of public funds. This provision shall ~~does~~ not apply to interest on time certificates of deposit or savings accounts for public funds.

Sec. 13. Section 453.8, Code 1983, is amended to read as follows:

453.8 LIABILITY OF PUBLIC OFFICERS. ~~No~~ An officer who is referred to in section 453.1 ~~shall be~~ is not liable for loss of funds by reason of the insolvency of the depository bank institution when ~~said the~~ funds have been deposited or invested as ~~herein provided in this chapter.~~ Any deposit ~~or investment in a lawful depository upon which interest is paid to a governmental unit under the provisions of this chapter shall be considered legal deposits for the purposes of chapter 454.~~

Sec. 14. Section 453.9, unnumbered paragraph 1, Code 1983, is amended to read as follows:

The governing council or board ~~who~~ which by law ~~are~~ is authorized to direct the depositing of funds ~~shall be authorized to may~~ direct the treasurer or other designated financial officer to invest any fund not an active fund needed for current use and which is being accumulated as a sinking fund for a definite purpose, the interest on which is used for the same purpose, in ~~savings accounts in banks, in the certificates or warrants provided by section 454.19, or make time deposits of such funds as provided in this chapter and receive time certificates of deposit therefor, or in bonds or other evidences of indebtedness issued, assumed, or guaranteed by the United States of America, or by any agency or instrumentality thereof, or in~~ local certificates or warrants issued by any municipality or school district within the county, ~~or~~ in municipal or school district bonds which constitute a general liability, and ~~the treasurer or other~~

~~officer when so directed shall so invest such fund in investments authorized in section 452.10.~~

Sec. 15. Section 453.10, Code 1983, is amended to read, as follows:

453.10 INVESTMENT OF FUNDS CREATED BY ELECTION. The governing council or board, who by law have control of any fund created by direct vote of the people, may invest any portion ~~thereof of the fund~~ not currently needed, in ~~bonds or other evidences of indebtedness issued, assumed, or guaranteed by the United States of America, or by any agency or instrumentality thereof, or make time deposits of such funds and receive time certificates of deposit therefor, or in savings accounts~~ investments authorized in section 452.10. The treasurer of state may invest in any of the investments authorized for the Iowa public employees' retirement system in section 97B.7, subsection 2, paragraph "b" except that investment in common stocks shall not be permitted. Interest or earnings on such funds shall be credited as provided in section 453.7, subsection 2.

Sec. 16. Section 453.12, Code 1983, is amended to read as follows:

453.12 SERVICE CHARGE BY BANK DEPOSITORY. A bank depository may make reasonable service charges with respect to the handling of ~~any~~ public funds, but ~~such the~~ service charges shall not be greater than ~~said bank the depository~~ customarily requires from other ~~patrons~~ depositories for similar services.

Sec. 17. NEW SECTION. 453.13 DEPOSIT NOT MEMBERSHIP. Notwithstanding chapter 534, the deposit of public funds in an association defined in section 533.1 or 534.2 does not constitute being a shareholder, stockholder, or owner of a corporation in violation of Article VIII of the Constitution of the State of Iowa or any other provision of law.

Sec. 18. Section 453.14, unnumbered paragraph 1, Code 1983, is amended to read as follows:

The board of directors of a school corporation may invest any portion of the proceeds of bonds issued and not currently needed ~~in-United-States-government-bonds-or-make-time-deposits~~ as provided in ~~this-chapter~~ section 452.10.

Sec. 19. NEW SECTION. 453.15 COLLATERAL CONDITIONS. A local government shall not require a pledge of collateral for that portion of the local government's deposits in a depository institution that is covered by insurance of a federal agency or instrumentality including the federal deposit insurance corporation, the federal savings and loan insurance corporation, or the national credit union administration.

Sec. 20. NEW SECTION. 453.16 SECURITY FOR DEPOSIT OF PUBLIC FUNDS.

1. Before a deposit of public funds is made by a public officer with a depository institution in excess of the amount insured by federal deposit insurance or federal savings and loan insurance, and before the investment of public funds in investments authorized in section 452.10 which either are not obligations of or guaranteed by the United States government or any of its agencies, are in excess of the amount insured by federal deposit insurance or federal savings and loan insurance, or are investments by the treasurer of state specifically authorized by section 452.10 to be made as additional investments under section 97B.7, subsection 2, paragraph "b", the public officer shall obtain security for the deposit or investment by one or more of the following:

a. The depository institution may give to the public officer a corporate surety bond of a surety corporation approved by the treasury department of the United States and authorized to do business in this state, which bond shall be in an amount equal to the public funds on deposit at any time. The bond shall be conditioned that the deposit shall be paid promptly on the order of the public officer making the deposit and shall be approved by the officer making the deposit.

b. The depository institution may deposit, maintain, pledge and assign for the benefit of the public officer in the manner provided in this chapter, securities approved by the public officer, the market value of which is not less than one hundred ten percent of the total deposits of public funds placed by that public officer in the depository institution. The securities shall consist of any of the following:

(1) Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or an agency or instrumentality of the United States of America.

(2) Public bonds or obligations of this state or a political subdivision of this state.

(3) To the extent of the guarantee, loans, obligations, or nontransferable letters of credit upon which the payment of principal and interest is fully secured or guaranteed by the United States of America or an agency or instrumentality of the United States of America.

2. If public funds are secured by both the assets of a depository institution and a bond of a surety company, the assets and bond shall be held as security for a rateable proportion of the deposit on the basis of the market value of the assets and of the total amount of the surety bonds.

Sec. 21. NEW SECTION. 453.17 DEPOSIT OF SECURITIES.

1. A depository institution which receives public funds shall pledge securities owned by it as required by this chapter in one of the following methods:

a. The securities shall be deposited with the county, city, or other public officers at the option of the officers.

b. The securities shall be deposited pursuant to a bailment agreement with a financial institution having facilities for the safekeeping of securities and doing business in the state. A financial institution which receives securities for safekeeping is liable to the public officer to whom the securities are pledged for any loss suffered by the public

officer if the financial institution relinquishes custody of the securities contrary to the provisions of this chapter or the instrument governing the pledge of the securities.

c. The securities shall be deposited with the federal reserve bank of Chicago, Illinois or the federal home loan bank of Des Moines, Iowa pursuant to a bailment agreement.

d. The securities may be deposited by any combination of methods specified in paragraphs "a", "b", and "c".

2. A deposit of securities shall not be made in a facility owned or controlled directly or indirectly by the financial institution which deposits the securities.

3. All deposits of securities, other than deposits of securities with the appropriate public officer, shall have a joint custody receipt taken for the securities with one copy delivered to the public officer and one copy delivered to the depository institution. A depository institution pledging securities with a public officer may cause the securities to be examined in the officer's office to show the securities are placed with the officer as collateral security and are not transferable except upon the conditions provided in this chapter.

4. Upon written request from the appropriate public officer but not less than quarterly, a depository institution shall report the par value and the market value of any pledged collateral and the total deposits of public funds of that officer in the depository institution.

Sec. 22. NEW SECTION. 453.18 CONDITION OF SECURITY. The condition of the surety bond or the deposit of securities, instruments, or a joint custody receipt, must be that the depository institution will promptly pay to the parties entitled public funds, including any interest on the funds, in its custody upon lawful demand and, when required by law, pay the funds to the public officer who made the deposit.

Sec. 23. NEW SECTION. 453.19 WITHDRAWALS, EXCHANGES OF SECURITY.

1. Securities pledged pursuant to this chapter may be withdrawn on application of the pledging depository institution and upon approval of the public officer to whom the securities are pledged if the deposit of securities is no longer necessary to comply with this chapter, or is required for collection by virtue of its maturity or for exchange. The depository institution shall replace securities so withdrawn for collection or exchange.

2. In an exchange of deposited securities for new securities, the amount of security on deposit at any time shall not be decreased below that otherwise required by this chapter.

3. In the event of substitution or exchange of securities, the holder or custodian of the securities shall, on the same day, forward by certified mail, return receipt requested, to the public officer and the depository institution, a receipt specifically describing and identifying both the substituted securities and those released and returned to the depository institution.

4. The public officer which deposits public funds with a depository institution shall require, if the market value of the securities deposited with or for the benefit of the officer falls below one hundred ten percent of the deposit liability to the public officer, the deposit of additional security to bring the total market value of the security to one hundred ten percent of the amount of public funds held by the depository.

Sec. 24. NEW SECTION. 453.20 DEPOSITORY INSTITUTION LIABILITY; PROCEDURE UPON DEFAULT; SALE OF SECURITY.

1. The depository institution, and the security given for the public funds in its hands, are liable for payment if the depository institution fails to pay a check, draft, or warrant drawn by the public officer or to account for a check, draft, warrant, order or certificate of deposit, or any funds entrusted to it by the public officer.

2. The deposit of securities by a depository institution pursuant to this chapter constitutes consent by the depository institution to the disposition of the securities in accordance with this section.

3. When a depository institution is closed by order of its primary regulatory agency, the public officer shall demand and receive from each custodian the securities pledged to secure deposits of public funds and, with the advice and counsel of the committee referred to in section 453.6, liquidate in an orderly manner the securities or part of the securities as determined advisable at public or private sale and distribute the proceeds as provided in this section.

4. The claim of a public officer for purposes of this section shall be the amount of the officer's deposits plus interest to the date the funds are distributed to the public officer at the rate the depository institution agreed to pay on the funds reduced by the portion of the funds which is insured by federal deposit insurance.

5. The public officer shall remit to the depository institution any of its collateral or the proceeds of its collateral in excess of the amount so distributable to public officers.

6. If the net proceeds of the collateral are inadequate after all other available sources are applied, to meet the total claims of the public officials entitled to the proceeds, the public officers may make claims against the depository institution as general creditors.

Sec. 25. Section 524.1802, Code 1983, is amended to read as follows:

524.1802 LIMITATION. **No**

1. A bank holding company shall not directly or indirectly acquire ownership or control of more than twenty-five percent of the voting shares of any a bank, or the power to control in any manner the election of a majority of the directors of any a bank, if upon such the acquisition the banks so owned or controlled by the bank holding company would have, in the

aggregate, more than eight ten percent of the total time and demand deposits, ~~both-time-and-demand~~, of all banks in this state, as determined by the superintendent on the basis of the most recent reports of the banks in the state to their supervisory authorities which are available at the time of the acquisition.

2. No A bank holding company shall not directly or indirectly acquire ownership or control of more than twenty-five percent of the voting shares of any a savings and loan association or savings bank, or the power to control in any manner the election of a majority of the directors of any a savings and loan association or savings bank, if upon such the acquisition the associations so owned or controlled by the bank holding company would have, in the aggregate, more than eight ten percent of the total time and demand deposits, ~~both-time-and-demand~~, of all associations and savings banks in this state, as determined by the superintendent on the basis of the most recent reports of the associations in the state to their supervisory authorities which are available at the time of the acquisition.

Sec. 26. Section 533.4, Code 1983, is amended by adding the following new subsections:

NEW SUBSECTION. 22. Receive public funds pursuant to chapter 453.

NEW SUBSECTION. 23. Engage in any activity authorized by the administrator which would be permitted if the credit union were federally chartered and which is consistent with state law.

Sec. 27. NEW SECTION. 533.39 RECIPROCITY. Subject to rules of the administrator, a credit union chartered in another state may do business in Iowa subject to the applicable provisions of this chapter if credit unions chartered in Iowa may do business in the state in which the out-of-state credit union is chartered.

Sec. 28. The treasurer of state shall close the sinking fund created by section 454.1 within one hundred twenty days

after the closing of any receiverships relating to any bank failures prior to the effective date of this Act and shall pay all sums remaining in the sinking fund on that date to depository institutions in Iowa within ninety days after the sinking fund is closed in proportion to the amounts which were assessed against the depository institutions during 1983 for the benefit of the sinking fund pursuant to chapter 454.

Sec. 29. Chapter 454, Code 1983, and Code Supplement 1983, is repealed. However, if pledging to secure the deposit of public funds has not been properly completed by July 1, 1984, then chapter 454 is not repealed until July 1, 1985.

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CHARLES P. MILLER

President Pro Tempore of the  
Senate

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DONALD D. AVENSON

Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2220, Seventieth General Assembly.

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K. MARIE THAYER

Secretary of the Senate

Approved May 8, 1984

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TERRY E. BRANSTAD

Governor