

Reprinted 3/11/85

House File 196

Small Business and Commerce: McIntee, Chair; Hatch and Kremer.

Do Pass 2/27/85 (p. 586)

SMALL BUSINESS AND COMMERCE

HOUSE FILE 196

BY SHERZAN

Passed House, Date 3-7-85 (p. 697) Passed Senate, Date _____

Vote: Ayes 92 Nays 1 Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

- 1 An Act relating to powers, organization, reserve requirements
- 2 and other requirements of credit unions including a
- 3 corporate central credit union.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

H-3274

HOUSE FILE 196

- 1 Amend House File 196 as follows:
- 2 1. Page 4, by striking lines 21 and 22 and
- 3 inserting the following: "chapter, except that the
- 4 corporate central credit union may exercise any of the
- 5 following additional powers subject to the adoption of
- 6 rules and with the prior written approval of the
- 7 administrator:".

H-3274 FILED MARCH 6, 1985
Adopted 3/7/85 (p. 696)

BY PARKER of Jasper
McINTEE of Black Hawk

HF 196

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1 Section 1. NEW SECTION. 533.47 EQUITY SHARE.

2 A credit union may establish an equity share having a par
3 value not to exceed one hundred dollars which shall be a part
4 of the capital of the credit union and shall not be withdrawn
5 or transferred except upon termination of membership in the
6 credit union. The equity share is not insured and may earn a
7 dividend at the option of the credit union.

8 Sec. 2. Section 533.9, unnumbered paragraph 1, Code 1985,
9 is amended to read as follows:

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

21 Sec. 3. Section 533.9, subsection 7, unnumbered paragraph
22 2, Code 1985, is amended to read as follows:

23 The duties of the officers shall be determined in the
24 bylaws, ~~except that the president shall be the general~~
25 ~~manager.~~ No A member of the board or of either committee
26 shall, ~~as such,~~ not be compensated. However, at the option of
27 the board, the president may receive compensation.

28 Sec. 4. Section 533.14, subsection 1, Code 1985, is
29 amended to read as follows:

30 1. Interest rates on loans made by a credit union, other
31 than loans secured by a mortgage or deed of trust which is a
32 first lien upon real property, shall not exceed one-percent-a
33 ~~month-on-unpaid-balances, except that with respect to consumer~~
34 ~~loans, a credit union may charge~~ the finance charge permitted
35 in sections 537.2401 and 537.2402.

1 Sec. 5. Section 533.16, subsection 1, Code 1985, is
2 amended to read as follows:

3 1. A credit union may loan to a member for a provident or
4 productive purpose. Loans ~~shall be~~ are subject to the
5 conditions contained in this section and in the bylaws. A
6 loan may be repaid by the borrower, in whole or in part, any
7 day the office of the credit union is open for business.
8 Every A loan shall be pursuant to an application with
9 supportive credit information. ~~Any credit or financial~~
10 ~~information which is required shall be updated by the credit~~
11 ~~union or by the member not less frequently than every eighteen~~
12 ~~months for refinanced loans or for periodic advances made~~
13 ~~under an open end credit plan.~~

14 Sec. 6. Section 533.17, subsection 1, Code 1985, is
15 amended by striking the subsection and inserting in lieu
16 thereof the following:

17 1. Immediately before the payment of a dividend, the
18 credit union shall determine its gross earnings. A regular
19 reserve for contingencies shall be set aside from the gross
20 earnings in accordance with the following:

21 a. A credit union in operation for more than four years
22 and having assets of five hundred thousand dollars or more
23 shall set aside the following amounts in the following order:

24 (1) Ten percent of the gross income until the regular
25 reserve equals four percent of the total outstanding loans or
26 risk assets.

27 (2) Five percent of the gross income until the regular
28 reserve equals six percent of the total outstanding loans and
29 risk assets.

30 b. A credit union in operation for less than four years or
31 having assets of less than five hundred thousand dollars shall
32 set aside the following amounts in the order set forth:

33 (1) Ten percent of the gross income until the regular
34 reserve equals seven and one-half percent of the total
35 outstanding loans and risk assets.

1 (2) Five percent of the gross income until the regular
2 reserve equals ten percent of the total outstanding loans and
3 risk assets.

4 If the regular reserve falls below the percent of the total
5 outstanding loans and risk assets required for a credit union
6 by this subsection, the credit union shall replenish the
7 regular reserve by regular contributions in the amounts needed
8 to reach the required reserve. However, the administrator may
9 waive the reserve requirement when in the administrator's
10 opinion the waiver is necessary or desirable. The legal
11 reserve shall belong to the credit union and shall be used to
12 meet losses. The reserve shall not be distributed to members
13 as interest or dividends except on liquidation of the credit
14 union or in accordance with a plan approved by the
15 administrator.

16 Sec. 7. Section 533.30, subsections 1 and 2, Code 1985,
17 are amended by striking the subsections and inserting in lieu
18 thereof the following:

19 1. With the approval of the administrator, a credit union
20 may merge with another credit union under the existing charter
21 of the other credit union if the merger is pursuant to a plan
22 agreed upon by a majority of the board of directors of each
23 credit union joining in the merger and the merger is approved
24 by the affirmative vote of a majority of the members of the
25 merging credit union present at a meeting of its members
26 called for the purpose of voting on the merger.

27 The administrator may approve a merger according to the
28 plan agreed upon by the majority of the board of directors of
29 each credit union if the administrator receives a written and
30 verified application filed by the board of directors of each
31 credit union and finds all of the following:

32 a. Notice of the meeting called to consider the merger was
33 mailed to each member entitled to vote upon the question.

34 b. The notice disclosed the purpose of the meeting and
35 properly informed the membership that approval of the merger

1 would be sought pursuant to this subsection.

2 c. A majority of the votes upon the question were in favor
3 of the merger.

4 The administrator may waive the membership merger vote if
5 the administrator finds that an emergency exists which
6 justifies the waiver.

7 2. The administrator may adopt rules establishing merger
8 procedures.

9 Sec. 8. Section 533.38, Code 1985, is amended by striking
10 the section and inserting in lieu thereof the following:

11 533.38 CORPORATE CENTRAL CREDIT UNION.

327412 A corporate central credit union may be established.
13 Credit unions organized under this chapter, the Federal Credit
14 Union Act, or any other credit union act and credit union
15 organizations may be members. In addition, regulated
16 financial institutions and cooperative organizations may be
17 members to the extent and manner provided for in the bylaws of
18 the corporate central credit union. The corporate central
19 credit union shall have all the powers, restrictions, and
20 obligations imposed upon, or granted a credit union under this
21 chapter, except that the corporate central credit union may do
22 any of the following:

23 1. Make loans and extend lines of credit to its members
24 without restriction.

25 2. Impose fees or penalties upon its members and apply
26 them to income.

27 3. Make available share draft accounts without restriction
28 and permit the owners of the accounts to make withdrawals by
29 negotiable or other transferable instruments or other orders
30 for the purpose of making transfers to third parties.

31 4. Borrow any amount from any source without restriction.

32 5. Invest in or purchase obligations or securities or
33 other designated investments to the same extent authorized for
34 other supervised financial institutions.

35 6. Invest in or acquire shares, stocks, or other

1 obligations of an organization providing services which are
2 associated with the operations of credit unions. However, the
3 aggregate amount invested pursuant to this subsection shall
4 not exceed fifty percent of the total of all reserves and
5 undivided earnings of the corporate credit union.

6 7. Buy or sell without limitation investment securities
7 and corporate bonds which are evidences of indebtedness.
8 However, the purchase or sale is limited to marketable
9 obligations of a corporation or state or federal agency issued
10 without recourse.

11 8. Sell all or part of its assets to another central or
12 corporate credit union and assume the liabilities of a selling
13 central or corporate credit union if the action is approved by
14 the majority vote of the board of directors at a meeting
15 called for that purpose.

16 9. Invest in the shares or deposits of another similarly
17 organized corporate credit union, central credit union, or
18 central liquidity facility.

19 10. Make other investments approved by the administrator.

20 11. The corporate central credit union shall not be
21 required to transfer to its legal reserve more than five
22 percent of its net income for the year.

23 EXPLANATION

24 Section 1 permits a credit union to establish an equity
25 share of not more than one hundred dollars to be part of the
26 capital of the credit union.

27 Section 2 provides for the election of the chairperson,
28 vice chairperson, and secretary and the election or
29 appointment of the president of the credit union.

30 Section 3 provides that the president of the credit union
31 may receive compensation for that position if the board of
32 directors so decides.

33 Section 4 provides that interest rates on loans made by a
34 credit union other than loans secured by an interest in real
35 estate shall not exceed the amounts permitted in the consumer

1 credit code.

2 Section 5 eliminates the requirement that any credit or
3 financial information required for a refinanced loan or one
4 with periodic advances must be updated at least every eighteen
5 months by the credit union or member.

6 Section 6 establishes the amounts of regular reserve
7 required by a credit union and specifies the manner in which
8 the reserve shall be accumulated.

9 Section 7 permits the merger of two credit unions if
10 pursuant to a plan, approved by the board of directors of each
11 credit union, a majority of the members of the merging credit
12 union present at a meeting held to consider the merger approve
13 of the merger, and it is approved by the administrator.

14 Section 8 rewrites the provisions for the establishment of
15 a corporate central credit union and specifies its powers.

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COMMERCE: Deluhery, Chair; Tieden and Hutchins

Amend (3670) to Do Pass 4/9/85 (p. 1271)

HOUSE FILE 196

BY SHERZAN

(As Amended and Passed by the House March 7, 1985)

Re Passed House, Date 4-26-85 (p. 1487) Passed Senate, Date 4-19-85 (p. 1513)

Vote: Ayes 92 Nays 0 Vote: Ayes 45 Nays 0

Approved May 31, 1985

A BILL FOR

- 1 An Act relating to powers, organization, reserve requirements
- 2 and other requirements of credit unions including a
- 3 corporate central credit union.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

S-3753

HOUSE FILE 196

- 1 Amend amendment S-3670 to House File 196 as
- 2 amended, passed, and reprinted by the House as
- 3 follows:
- 4 1. Page 1, line 26, by striking the words and
- 5 figure "pursuant to chapter 453".

S-3753 Filed April 15, 1985

By GRONSTAL

Adopted 4/19/85 (p. 1513)

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3670 1 Section 1. NEW SECTION. 533.47 EQUITY SHARE.

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3 value not to exceed one hundred dollars which shall be a part
4 of the capital of the credit union and shall not be withdrawn
5 or transferred except upon termination of membership in the
6 credit union. The equity share is not insured and may earn a
7 dividend at the option of the credit union.

3670 8 Sec. 2. Section 533.9, unnumbered paragraph 1, Code 1985,
9 is amended to read as follows:

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

3670 21 Sec. 3. Section 533.9, subsection 7, unnumbered paragraph
22 2, Code 1985, is amended to read as follows:

23 The duties of the officers shall be determined in the
24 ~~bylaws, except that the president shall be the general~~
25 ~~manager.~~ No A member of the board or of either committee
26 ~~shall, as such,~~ not be compensated. However, at the option of
27 the board, the president may receive compensation.

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31 than loans secured by a mortgage or deed of trust which is a
32 first lien upon real property, shall not exceed ~~one percent a~~
33 ~~month on unpaid balances, except that with respect to consumer~~
34 ~~loans, a credit union may charge~~ the finance charge permitted
3670 35 in sections 537.2401 and 537.2402.

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7 day the office of the credit union is open for business.
8 Every A loan shall be pursuant to an application with
9 supportive credit information. ~~Any credit or financial~~
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3670 13 ~~under an open end credit plan.~~

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27 (2) Five percent of the gross income until the regular
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30 b. A credit union in operation for less than four years or
31 having assets of less than five hundred thousand dollars shall
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33 (1) Ten percent of the gross income until the regular
34 reserve equals seven and one-half percent of the total
35 outstanding loans and risk assets.

1 (2) Five percent of the gross income until the regular
2 reserve equals ten percent of the total outstanding loans and
3 risk assets.

3670 4 If the regular reserve falls below the percent of the total
5 outstanding loans and risk assets required for a credit union
6 by this subsection, the credit union shall replenish the
7 regular reserve by regular contributions in the amounts needed
8 to reach the required reserve. However, the administrator may
9 waive the reserve requirement when in the administrator's
10 opinion the waiver is necessary or desirable. The legal
11 reserve shall belong to the credit union and shall be used to
12 meet losses. The reserve shall not be distributed to members
13 as interest or dividends except on liquidation of the credit
14 union or in accordance with a plan approved by the
15 administrator.

16 Sec. 7. Section 533.30, subsections 1 and 2, Code 1985,
17 are amended by striking the subsections and inserting in lieu
18 thereof the following:

19 1. With the approval of the administrator, a credit union
20 may merge with another credit union under the existing charter
21 of the other credit union if the merger is pursuant to a plan
22 agreed upon by a majority of the board of directors of each
23 credit union joining in the merger and the merger is approved
24 by the affirmative vote of a majority of the members of the
25 merging credit union present at a meeting of its members
26 called for the purpose of voting on the merger.

27 The administrator may approve a merger according to the
28 plan agreed upon by the majority of the board of directors of
29 each credit union if the administrator receives a written and
30 verified application filed by the board of directors of each
31 credit union and finds all of the following:

32 a. Notice of the meeting called to consider the merger was
3670 33 mailed to each member entitled to vote upon the question.

34 b. The notice disclosed the purpose of the meeting and
35 properly informed the membership that approval of the merger

1 would be sought pursuant to this subsection.

2 c. A majority of the votes upon the question were in favor
3 of the merger.

4 The administrator may waive the membership merger vote if
5 the administrator finds that an emergency exists which
6 justifies the waiver.

7 2. The administrator may adopt rules establishing merger
8 procedures.

9 Sec. 8. Section 533.38, Code 1985, is amended by striking
10 the section and inserting in lieu thereof the following:

11 533.38 CORPORATE CENTRAL CREDIT UNION.

3670 12 A corporate central credit union may be established.

13 Credit unions organized under this chapter, the Federal Credit
14 Union Act, or any other credit union act and credit union
15 organizations may be members. In addition, regulated
16 financial institutions and cooperative organizations may be
17 members to the extent and manner provided for in the bylaws of
18 the corporate central credit union. The corporate central
19 credit union shall have all the powers, restrictions, and
20 obligations imposed upon, or granted a credit union under this
21 chapter, except that the corporate central credit union may
22 exercise any of the following additional powers subject to the
23 adoption of rules and with the prior written approval of the
24 administrator:

25 1. Make loans and extend lines of credit to its members
26 without restriction.

27 2. Impose fees or penalties upon its members and apply
28 them to income.

29 3. Make available share draft accounts without restriction
30 and permit the owners of the accounts to make withdrawals by
31 negotiable or other transferable instruments or other orders
32 for the purpose of making transfers to third parties.

33 4. Borrow any amount from any source without restriction.

34 5. Invest in or purchase obligations or securities or
35 other designated investments to the same extent authorized for

1 other supervised financial institutions.

2 6. Invest in or acquire shares, stocks, or other
3 obligations of an organization providing services which are
4 associated with the operations of credit unions. However, the
5 aggregate amount invested pursuant to this subsection shall
6 not exceed fifty percent of the total of all reserves and
7 undivided earnings of the corporate credit union.

3670 8 7. Buy or sell without limitation investment securities
9 and corporate bonds which are evidences of indebtedness.
10 However, the purchase or sale is limited to marketable
11 obligations of a corporation or state or federal agency issued
12 without recourse.

13 8. Sell all or part of its assets to another central or
14 corporate credit union and assume the liabilities of a selling
15 central or corporate credit union if the action is approved by
16 the majority vote of the board of directors at a meeting
17 called for that purpose.

18 9. Invest in the shares or deposits of another similarly
19 organized corporate credit union, central credit union, or
20 central liquidity facility.

21 10. Make other investments approved by the administrator.

22 11. The corporate central credit union shall not be
23 required to transfer to its legal reserve more than five
24 percent of its net income for the year.

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1 Amend House File 196 as amended, passed, and
2 reprinted by the House as follows:

3 1. Page 1, by striking lines 1 through 27 and
4 inserting the following:

5 "Sec. ____ . Section 533.4, subsection 23, Code
6 1985, is amended by striking the subsection and
7 inserting the following:

8 23. a. Act as agent of the federal government when
9 requested by the secretary of the United States
10 department of treasury; perform such services as may
11 be required in connection with the collection of taxes
12 and other obligations due the United States and the
13 lending, borrowing and repayment of money by the
14 United States; and be a depository of public money
15 when designated for that purpose.

16 b. Act as agent of the state when requested by the
17 treasurer of state; perform such services as may be
18 required in connection with the collection of taxes
19 and other obligations due the state and the lending,
20 borrowing and repayment of money by the state; and be
21 a depository of public money when designated for that
22 purpose.

23 "Sec. ____ . Section 533.4, Code 1985, is amended by
24 adding the following new subsection:

25 NEW SUBSECTION. 26. Pledge its assets to secure
26 the deposit of public funds pursuant to chapter 453.

27 Sec. ____ . Section 533.12, Code 1985, is amended to
28 read as follows:

29 533.12 CAPITAL.

30 1. The capital of a credit union shall consist of
31 the payments that have been made to it by the several
32 members thereof on shares. The credit union shall
33 have a lien on the shares and deposits of a member for
34 any sum due to the credit union from ~~said~~ the member
35 or for any loan endorsed by the member. A credit
36 union may charge an entrance fee as may be provided by
37 the bylaws.

38 2. A credit union may establish an equity share
39 having a par value not to exceed one hundred dollars
40 which shall be a part of the capital of the credit
41 union and shall not be withdrawn or transferred except
42 upon termination of membership in the credit union.
43 At the option of the credit union, the equity share
44 may earn a dividend and may be insured."

45 2. Page 1, line 35, by inserting after the figure
46 "537.2402" the following: "on consumer loans.
47 Interest rates on business loans shall not exceed the
48 finance charge permitted by section 535.2 "

49 3. Page 2, line 13, by inserting after the word
50 "plan-" the following: "The administrator may adopt

1 rules requiring periodic updating of credit or
2 financial information for all loans or for classes of
3 loans designated in the rules."

4 4. Page 2, line 18, by striking the word
5 "regular" and inserting the following: "legal".

6 5. Page 2, line 24, by striking the word
7 "regular" and inserting the following: "legal".

8 6. Page 2, line 25, by striking the word "or" and
9 inserting the following: "and".

10 7. Page 2, line 27, by striking the word
11 "regular" and inserting the following: "legal".

12 8. Page 2, line 33, by striking the word
13 "regular" and inserting the following: "legal".

14 9. Page 3, line 1, by striking the word "regular"
15 and inserting the following: "legal".

16 10. Page 3, line 4, by striking the word
17 "regular" and inserting the following: "legal".

18 11. Page 3, line 7, by striking the word
19 "regular" and inserting the following: "legal".

20 12. Page 3, line 33, by inserting after the word
21 "member" the following: "of the merging credit
22 union".

23 13. Page 4, line 23, by inserting after the word
24 "rules" the following: "by the administrator pursuant
25 to chapter 17A".

26 14. Page 4, line 26, by striking the words
27 "without restriction".

28 15. Page 4, line 29, by striking the words
29 "without restriction".

30 16. Page 4, line 33, by striking the words
31 "without restriction".

32 17. Page 5, line 8, by striking the words
33 "without limitation".

34 18. Page 5, by inserting after line 24 the
35 following:

36 "Sec. _____. Section 533.64, unnumbered paragraph 1,
37 Code 1985, is amended to read as follows:

38 Every Except as provided in section 533.12,
39 subsection 2, a credit union organized under this
40 chapter, as a condition of maintaining its privilege
41 of organization after December 31, 1980, shall acquire
42 and maintain insurance to protect each shareholder and
43 each depositor against loss of funds held on account
44 by the credit union. Such The insurance shall be
45 obtained from the national credit union administrator
46 or from some other share guarantor or insurance plan
47 approved by the Iowa commissioner of insurance and the
48 administrator of the credit union department. Every
49 ~~credit-union-not-so-insured-as-of-January-17-1979,~~
50 ~~shall-submit-an-application-for-share-and-deposit~~

S-3670 page 3

1 ~~insurance-not-later-than-July-17-1979-~~"

2 19. Renumber as necessary.

*Adopted as amended by 3753
4/19/85 (p. 1513)*

SENATE AMENDMENT TO HOUSE FILE 196

H-3960

1 Amend House File 196 as amended, passed, and
2 reprinted by the House as follows:

3 1. Page 1, by striking lines 1 through 27 and
4 inserting the following:

5 "Sec. ____ . Section 533.4, subsection 23, Code
6 1985, is amended by striking the subsection and
7 inserting the following:

8 23. a. Act as agent of the federal government when
9 requested by the secretary of the United States
10 department of treasury; perform such services as may
11 be required in connection with the collection of taxes
12 and other obligations due the United States and the
13 lending, borrowing and repayment of money by the
14 United States; and be a depository of public money
15 when designated for that purpose.

16 b. Act as agent of the state when requested by the
17 treasurer of state; perform such services as may be
18 required in connection with the collection of taxes
19 and other obligations due the state and the lending,
20 borrowing and repayment of money by the state; and be
21 a depository of public money when designated for that
22 purpose.

23 "Sec. ____ . Section 533.4, Code 1985, is amended by
24 adding the following new subsection:

25 NEW SUBSECTION. 26. Pledge its assets to secure
26 the deposit of public funds.

27 Sec. ____ . Section 533.12, Code 1985, is amended to
28 read as follows:

29 533.12 CAPITAL.

30 1. The capital of a credit union shall consist of
31 the payments that have been made to it by the several
32 members thereof on shares. The credit union shall
33 have a lien on the shares and deposits of a member for
34 any sum due to the credit union from ~~said~~ the member
35 or for any loan endorsed by the member. A credit
36 union may charge an entrance fee as may be provided by
37 the bylaws.

38 2. A credit union may establish an equity share
39 having a par value not to exceed one hundred dollars
40 which shall be a part of the capital of the credit
41 union and shall not be withdrawn or transferred except
42 upon termination of membership in the credit union.
43 At the option of the credit union, the equity share
44 may earn a dividend and may be insured."

45 2. Page 1, line 35, by inserting after the figure
46 "537.2402" the following: "on consumer loans.
47 Interest rates on business loans shall not exceed the
48 finance charge permitted by section 535.2 "

49 3. Page 2, line 13, by inserting after the word
50 "~~plan~~:" the following: "The administrator may adopt

1 rules requiring periodic updating of credit or
2 financial information for all loans or for classes of
3 loans designated in the rules."

4 4. Page 2, line 18, by striking the word
5 "regular" and inserting the following: "legal".

6 5. Page 2, line 24, by striking the word
7 "regular" and inserting the following: "legal".

8 6. Page 2, line 25, by striking the word "or" and
9 inserting the following: "and".

10 7. Page 2, line 27, by striking the word
11 "regular" and inserting the following: "legal".

12 8. Page 2, line 33, by striking the word
13 "regular" and inserting the following: "legal".

14 9. Page 3, line 1, by striking the word "regular"
15 and inserting the following: "legal".

16 10. Page 3, line 4, by striking the word
17 "regular" and inserting the following: "legal".

18 11. Page 3, line 7, by striking the word
19 "regular" and inserting the following: "legal".

20 12. Page 3, line 33, by inserting after the word
21 "member" the following: "of the merging credit
22 union".

23 13. Page 4, line 23, by inserting after the word
24 "rules" the following: "by the administrator pursuant
25 to chapter 17A".

26 14. Page 4, line 26, by striking the words
27 "without restriction".

28 15. Page 4, line 29, by striking the words
29 "without restriction".

30 16. Page 4, line 33, by striking the words
31 "without restriction".

32 17. Page 5, line 8, by striking the words
33 "without limitation".

34 18. Page 5, by inserting after line 24 the
35 following:

36 "Sec. ____ . Section 533.64, unnumbered paragraph 1,
37 Code 1985, is amended to read as follows:

38 Every Except as provided in section 533.12,
39 subsection 2, a credit union organized under this
40 chapter, as a condition of maintaining its privilege
41 of organization after December 31, 1980, shall acquire
42 and maintain insurance to protect each shareholder and
43 each depositor against loss of funds held on account
44 by the credit union. Such The insurance shall be
45 obtained from the national credit union administrator
46 or from some other share guarantor or insurance plan
47 approved by the Iowa commissioner of insurance and the
48 administrator of the credit union department. Every
49 credit-union-not-so-insured-as-of-January-17-1979,
50 shall-submit-an-application-for-share-and-deposit

Page Three

1 insurance-not-later-than-July-17-1979."

2 19. Renumber as necessary.

HOUSE FILE 196

AN ACT

RELATING TO POWERS, ORGANIZATION, RESERVE REQUIREMENTS AND OTHER REQUIREMENTS OF CREDIT UNIONS INCLUDING A CORPORATE CENTRAL CREDIT UNION.

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

Section 1. Section 533.4, subsection 23, Code 1985, is amended by striking the subsection and inserting the following:

23. a. Act as agent of the federal government when requested by the secretary of the United States department of treasury; perform such services as may be required in connection with the collection of taxes and other obligations due the United States and the lending, borrowing and repayment of money by the United States; and be a depository of public money when designated for that purpose.

b. Act as agent of the state when requested by the treasurer of state; perform such services as may be required in connection with the collection of taxes and other obligations due the state and the lending, borrowing and repayment of money by the state; and be a depository of public money when designated for that purpose.

Sec. 2. Section 533.4, Code 1985, is amended by adding the following new subsection:

NEW SUBSECTION. 26. Pledge its assets to secure the deposit of public funds.

Sec. 3. Section 533.12, Code 1985, is amended to read as follows:

533.12 CAPITAL.

1. The capital of a credit union shall consist of the payments that have been made to it by the several members thereof on shares. The credit union shall have a lien on the shares and deposits of a member for any sum due to the credit union from said the member or for any loan endorsed by the

member. A credit union may charge an entrance fee as may be provided by the bylaws.

2. A credit union may establish an equity share having a par value not to exceed one hundred dollars which shall be a part of the capital of the credit union and shall not be withdrawn or transferred except upon termination of membership in the credit union. At the option of the credit union, the equity share may earn a dividend and may be insured.

Sec. 4. Section 533.14, subsection 1, Code 1985, is amended to read as follows:

1. Interest rates on loans made by a credit union, other than loans secured by a mortgage or deed of trust which is a first lien upon real property, shall not exceed ~~one-percent-a month-on-unpaid-balances,-except-that-with-respect-to-consumer loans,-a-credit-union-may-charge~~ the finance charge permitted in sections 537.2401 and 537.2402 on consumer loans. Interest rates on business loans shall not exceed the finance charge permitted by section 535.2.

Sec. 5. Section 533.16, subsection 1, Code 1985, is amended to read as follows:

1. A credit union may loan to a member for a provident or productive purpose. ~~Loans shall-be are~~ subject to the conditions contained in this section and in the bylaws. A loan may be repaid by the borrower, in whole or in part, any day the office of the credit union is open for business. ~~Every A~~ loan shall be pursuant to an application with supportive credit information. ~~Any-credit-or-financial information-which-is-required-shall-be-updated-by-the-credit union-or-by-the-member-not-less-frequently-than-every-eighteen months-for-refinanced-loans-or-for-periodic-advances-made under-an-open-end-credit-plan. The administrator may adopt~~ rules requiring periodic updating of credit or financial information for all loans or for classes of loans designated in the rules.

Sec. 6. Section 533.17, subsection 1, Code 1985, is amended by striking the subsection and inserting in lieu thereof the following:

1. Immediately before the payment of a dividend, the credit union shall determine its gross earnings. A legal reserve for contingencies shall be set aside from the gross earnings in accordance with the following:

a. A credit union in operation for more than four years and having assets of five hundred thousand dollars or more shall set aside the following amounts in the following order:

(1) Ten percent of the gross income until the legal reserve equals four percent of the total outstanding loans and risk assets.

(2) Five percent of the gross income until the legal reserve equals six percent of the total outstanding loans and risk assets.

b. A credit union in operation for less than four years or having assets of less than five hundred thousand dollars shall set aside the following amounts in the order set forth:

(1) Ten percent of the gross income until the legal reserve equals seven and one-half percent of the total outstanding loans and risk assets.

(2) Five percent of the gross income until the legal reserve equals ten percent of the total outstanding loans and risk assets.

If the legal reserve falls below the percent of the total outstanding loans and risk assets required for a credit union by this subsection, the credit union shall replenish the legal reserve by regular contributions in the amounts needed to reach the required reserve. However, the administrator may waive the reserve requirement when in the administrator's opinion the waiver is necessary or desirable. The legal reserve shall belong to the credit union and shall be used to meet losses. The reserve shall not be distributed to members as interest or dividends except on liquidation of the credit union or in accordance with a plan approved by the administrator.

Sec. 7. Section 533.30, subsections 1 and 2, Code 1985, are amended by striking the subsections and inserting in lieu thereof the following:

1. With the approval of the administrator, a credit union may merge with another credit union under the existing charter of the other credit union if the merger is pursuant to a plan agreed upon by a majority of the board of directors of each credit union joining in the merger and the merger is approved by the affirmative vote of a majority of the members of the merging credit union present at a meeting of its members called for the purpose of voting on the merger.

The administrator may approve a merger according to the plan agreed upon by the majority of the board of directors of each credit union if the administrator receives a written and verified application filed by the board of directors of each credit union and finds all of the following:

a. Notice of the meeting called to consider the merger was mailed to each member of the merging credit union entitled to vote upon the question.

b. The notice disclosed the purpose of the meeting and properly informed the membership that approval of the merger would be sought pursuant to this subsection.

c. A majority of the votes upon the question were in favor of the merger.

The administrator may waive the membership merger vote if the administrator finds that an emergency exists which justifies the waiver.

2. The administrator may adopt rules establishing merger procedures.

Sec. 8. Section 533.38, Code 1985, is amended by striking the section and inserting in lieu thereof the following:

533.38 CORPORATE CENTRAL CREDIT UNION.

A corporate central credit union may be established. Credit unions organized under this chapter, the Federal Credit Union Act, or any other credit union act and credit union organizations may be members. In addition, regulated financial institutions and cooperative organizations may be members to the extent and manner provided for in the bylaws of the corporate central credit union. The corporate central credit union shall have all the powers, restrictions, and obligations imposed upon, or granted a credit union under this

chapter, except that the corporate central credit union may exercise any of the following additional powers subject to the adoption of rules by the administrator pursuant to chapter 17A and with the prior written approval of the administrator:

1. Make loans and extend lines of credit to its members.
2. Impose fees or penalties upon its members and apply them to income.
3. Make available share draft accounts and permit the owners of the accounts to make withdrawals by negotiable or other transferable instruments or other orders for the purpose of making transfers to third parties.
4. Borrow any amount from any source.
5. Invest in or purchase obligations or securities or other designated investments to the same extent authorized for other supervised financial institutions.
6. Invest in or acquire shares, stocks, or other obligations of an organization providing services which are associated with the operations of credit unions. However, the aggregate amount invested pursuant to this subsection shall not exceed fifty percent of the total of all reserves and undivided earnings of the corporate credit union.
7. Buy or sell investment securities and corporate bonds which are evidences of indebtedness. However, the purchase or sale is limited to marketable obligations of a corporation or state or federal agency issued without recourse.
8. Sell all or part of its assets to another central or corporate credit union and assume the liabilities of a selling central or corporate credit union if the action is approved by the majority vote of the board of directors at a meeting called for that purpose.
9. Invest in the shares or deposits of another similarly organized corporate credit union, central credit union, or central liquidity facility.
10. Make other investments approved by the administrator.
11. The corporate central credit union shall not be required to transfer to its legal reserve more than five percent of its net income for the year.

Sec. 9. Section 533.64, unnumbered paragraph 1, Code 1985, is amended to read as follows:

Every Except as provided in section 533.12, subsection 2, a credit union organized under this chapter, as a condition of maintaining its privilege of organization after December 31, 1980, shall acquire and maintain insurance to protect each shareholder and each depositor against loss of funds held on account by the credit union. Such The insurance shall be obtained from the national credit union administrator or from some other share guarantor or insurance plan approved by the Iowa commissioner of insurance and the administrator of the credit union department. ~~Every credit union not so insured as of January 17, 1979, shall submit an application for share and deposit insurance not later than July 17, 1979.~~

DONALD D. AVENSON
Speaker of the House

ROBERT T. ANDERSON
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 196, Seventy-first General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved _____, 1985

TERRY E. BRANSTAD
Governor