

Substituted by HF 2453  
4-18-96 (P. 1438)

FILED MAR 4 1996

SENATE FILE 2407  
BY COMMITTEE ON COMMERCE

WITHDRAWN  
4-18-96

(SUCCESSOR TO SSB 2319)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the regulation of industrial loan companies by  
2 establishing certain requirements applicable to a change of  
3 control, providing for the appointment of the superintendent  
4 as receiver, and requiring an industrial loan company to  
5 obtain federal deposit insurance for certain debt instruments,  
6 and making a penalty applicable.

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

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WITHDRAWN

S.F. 2407

1 Section 1. Section 536A.12, Code 1995, is amended to read  
2 as follows:

3 536A.12 CONTINUING LICENSE -- ANNUAL FEE -- CHANGE OF  
4 LOCATION -- CHANGE OF CONTROL.

5 1. Each such license remains in full force and effect  
6 until surrendered, revoked, or suspended, or until there is a  
7 change of control on or after January 1, 1996. A licensee  
8 shall, on or before the second day of January, shall pay to  
9 the superintendent the sum of fifty dollars as an annual  
10 license fee for the succeeding calendar year. When a licensee  
11 changes its place of business from one location to another in  
12 the same city, it shall at once give written notice to the  
13 superintendent who shall attach to the license in writing the  
14 superintendent's record of the change and the date of the  
15 change, which is authority for the operation of the business  
16 under that license at the new place of business.

17 2. A person who proposes to purchase or otherwise acquire,  
18 directly or indirectly, any of the outstanding shares of an  
19 industrial loan company which would result in a change of  
20 control of the industrial loan company, shall first apply in  
21 writing to the superintendent for a certificate of approval  
22 for the proposed change of control. The superintendent shall  
23 grant the certificate if the superintendent is satisfied that  
24 the person who proposes to obtain control of the industrial  
25 loan company is qualified by character, experience, and  
26 financial responsibility to control and operate the industrial  
27 loan company in a sound and legal manner, and that the  
28 interests of the thrift certificate holders, creditors, and  
29 shareholders of the industrial loan company, and of the public  
30 generally, shall not be jeopardized by the proposed change of  
31 control. If a board member of the industrial loan company has  
32 reason to believe any of the requirements of this subsection  
33 have not been complied with, the board member shall promptly  
34 report in writing such facts to the superintendent. If there  
35 is any doubt as to whether a change in the ownership of the

1 outstanding shares is sufficient to result in control of the  
2 industrial loan company, or to effect a change in the control  
3 of the industrial loan company, such doubt shall be resolved  
4 in favor of reporting the facts to the superintendent.

5 3. a. For purposes of this section, "control" means  
6 control as defined in section 524.103. However, a change of  
7 control does not occur when a majority shareholder of an  
8 industrial loan company transfers the shareholder's shares of  
9 the industrial loan company to a revocable trust, so long as  
10 the transferor retains the power to revoke the trust and take  
11 possession of such shares.

12 b. Notwithstanding the provisions of paragraph "a", a  
13 change of control is deemed to occur two years after the death  
14 of the majority shareholder, whether the shareholder's shares  
15 of the industrial loan company are held in a revocable trust  
16 or otherwise.

17 Sec. 2. Section 536A.19, Code 1995, is amended to read as  
18 follows:

19 536A.19 RECEIVERSHIP -- LIQUIDATION.

20 1. If the superintendent ~~shall-revoke~~ revokes the license  
21 of any industrial loan company the superintendent shall  
22 promptly report the revocation to the attorney general of Iowa  
23 who may apply to the district court of the county in which the  
24 licensee had conducted its business for the appointment of a  
25 receiver to take possession of the assets of the corporation  
26 for the purpose of liquidating its affairs. The court shall  
27 appoint the superintendent as receiver unless the  
28 superintendent has tendered the appointment to the federal  
29 deposit insurance corporation, in which case the court shall  
30 appoint the federal deposit insurance corporation as receiver.  
31 The affairs of the industrial loan company, after such  
32 appointment, shall be under the direction of the court. The  
33 attorney general shall represent the superintendent in all  
34 proceedings connected with the receivership.

35 2. When an insured industrial loan company has ceased to

1 carry on its business, the superintendent may tender the  
2 appointment as receiver of the insured industrial loan company  
3 to the federal deposit insurance corporation. If the federal  
4 deposit insurance corporation accepts the appointment as  
5 receiver, the rights of depositors and other creditors of the  
6 insured industrial loan company shall be determined in  
7 accordance with the laws of this state.

8     3. The federal deposit insurance corporation as receiver  
9 shall possess all of the powers, rights, and privileges of the  
10 superintendent in connection with the liquidation.

11     4. If the federal deposit insurance corporation pays or  
12 makes available for payment the insured deposit liabilities of  
13 an insured industrial loan company, the federal deposit  
14 insurance corporation, whether or not it has become receiver,  
15 shall be subrogated to all rights of the owners of such  
16 deposits against the insured industrial loan company in the  
17 same manner and to the same extent as subrogation of the  
18 federal deposit insurance corporation is provided for in  
19 applicable federal law with respect to a national bank.

20     Sec. 3. Section 536A.22, Code 1995, is amended to read as  
21 follows:

22     536A.22   THRIFT CERTIFICATES.

23     Licensed industrial loan companies may sell senior debt to  
24 the general public in the form of thrift certificates,  
25 installment thrift certificates, certificates of indebtedness,  
26 promissory notes, or similar evidences of indebtedness if such  
27 debt instruments are insured by a federal deposit insurance  
28 agency. Licensees selling debt instruments on January 1,  
29 1996, may continue to do so without obtaining federal deposit  
30 insurance until there is a change of control of the licensee  
31 which occurs on or after January 1, 1996. If there is a  
32 change of control of a licensee on or after January 1, 1996,  
33 and the licensee has sold senior debt instruments that are not  
34 insured by a federal deposit insurance agency, such  
35 outstanding senior debt instruments that do not have a stated

1 maturity date shall be redeemed within six months of the date  
2 of the change of control. Such outstanding senior debt  
3 instruments with stated maturity dates shall be redeemed on  
4 their stated maturity dates.

5 PARAGRAPH DIVIDED. The total amount of such thrift  
6 certificates, installment thrift certificates, certificates of  
7 indebtedness, promissory notes, or similar evidences of  
8 indebtedness outstanding and in the hands of the general  
9 public shall not at any time exceed ten times the total amount  
10 of capital, surplus, undivided profits, and subordinated debt  
11 that gives priority to such securities of the issuing  
12 industrial loan company. The sale of such securities is  
13 subject to the provisions of chapter 502 and rules adopted by  
14 the superintendent of banking pursuant to chapter 17A, and  
15 shall not be construed to be exempt by reason of the  
16 provisions of section 502.202, subsection 10, except that the  
17 sale of thrift certificates or installment thrift certificates  
18 which are redeemable by the holder either upon demand or  
19 within a period not in excess of five years are exempt from  
20 sections 502.201 and 502.602.

21 For purposes of this section, "control" means control as  
22 defined in section 524.103.

23 EXPLANATION

24 This bill amends provisions relating to industrial loan  
25 companies. The bill provides that a person who proposes to  
26 purchase or otherwise acquire, directly or indirectly, any of  
27 the outstanding shares of an industrial loan company which  
28 would result in a change of control, must first apply to the  
29 superintendent of banking for a certificate of approval.

30 The bill provides for the appointment of the superintendent  
31 or the federal deposit insurance corporation as receiver of an  
32 industrial loan company for purposes of liquidating the assets  
33 of the industrial loan company. If the federal deposit  
34 insurance corporation pays or makes available for payment the  
35 insured deposit liabilities of such company, the federal

1 deposit insurance corporation is subrogated to the rights of  
2 the owners of such deposits.

3 The bill also requires that an industrial loan company  
4 which sells senior debt to the general public in the form of  
5 thrift certificates, installment thrift certificates,  
6 certificates of indebtedness, promissory notes, or similar  
7 evidences of indebtedness shall insure the debt instruments by  
8 a federal deposit insurance agency. An industrial loan  
9 company selling such debt instruments on January 1, 1996, may  
10 continue to do so without obtaining such insurance until there  
11 is a change in control of the industrial loan company which  
12 occurs on or after that date. The bill provides that if there  
13 is a change in control after January 1, 1996, and the  
14 industrial loan company has sold senior debt instruments which  
15 are not insured by a federal deposit insurance agency, the  
16 instruments which do not have a stated maturity date must be  
17 redeemed within six months of the date of the change of  
18 control and the instruments with stated maturity dates must be  
19 redeemed on their stated maturity dates.

20 A person who violates a provision of this bill would also  
21 be guilty of a serious misdemeanor as provided in section  
22 536A.27.

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Delubery  
Hyer  
Radford

SSB. 2319

Commerce

Succeeded  
SF/HF 2407

SENATE FILE  
BY (PROPOSED COMMITTEE ON  
COMMERCE BILL BY  
CHAIRPERSON DELUHERY)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
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5 1. Each such license remains in full force and effect  
6 until surrendered, revoked, or suspended, or until there is a  
7 change of control on or after January 1, 1996, pursuant to  
8 subsection 2. A licensee ~~shall~~, on or before the second day  
9 of January, shall pay to the superintendent the sum of fifty  
10 dollars as an annual license fee for the succeeding calendar  
11 year. When a licensee changes its place of business from one  
12 location to another in the same city, it shall at once give  
13 written notice to the superintendent who shall attach to the  
14 license in writing the superintendent's record of the change  
15 and the date of the change, which is authority for the  
16 operation of the business under that license at the new place  
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24 grant the certificate if the superintendent is satisfied that  
25 the person who proposes to obtain control of the industrial  
26 loan company is qualified by character, experience, and  
27 financial responsibility to control and operate the industrial  
28 loan company in a sound and legal manner, and that the  
29 interests of the thrift certificate holders, creditors, and  
30 shareholders of the industrial loan company, and of the public  
31 generally, shall not be jeopardized by the proposed change of  
32 control. If a board member of the industrial loan company has  
33 reason to believe any of the requirements of this subsection  
34 have not been complied with, the board member shall promptly  
35 report in writing such facts to the superintendent. As used

1 in this section, "control" means the power, directly or  
2 indirectly, to elect a majority of the board of directors of  
3 an industrial loan company. If there is any doubt as to  
4 whether a change in the ownership of the outstanding shares is  
5 sufficient to result in control of the industrial loan  
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33 insured industrial company shall be determined in accordance  
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35 3. The federal deposit insurance corporation as receiver

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3 4. If the federal deposit insurance corporation pays or  
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21 1996, may continue to do so without obtaining federal deposit  
22 insurance until there is a change of control of the licensee  
23 pursuant to section 536A.12, subsection 2, which occurs on or  
24 after January 1, 1996. The total amount of such thrift  
25 certificates, installment thrift certificates, certificates of  
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27 indebtedness outstanding and in the hands of the general  
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30 A person who violates a provision of this Act would also be  
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32 536A.27.

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