

MAR 4 1999

ECONOMIC DEVELOPMENT

HOUSE FILE 506
BY FORD

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to community investment by financial institutions
2 participating in state programs.

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

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HF 506

1 Section 1. Section 12C.6A, subsection 1, Code 1999, is
2 amended to read as follows:

3 1. Public funds of the state shall not be deposited in a
4 financial institution which does not demonstrate a commitment
5 to serve community reinvestment by providing for the needs of
6 the local community in which it is chartered to do business,
7 including by providing for the needs of ~~neighborhoods~~,
8 all of the following:

9 a. Neighborhoods.

10 b. ~~Rural areas, and small businesses in communities served~~
11 ~~by the financial institution.~~

12 c. Small businesses, including targeted small businesses
13 as defined in section 15.102.

14 d. Minority persons engaged in farming operations. For
15 purposes of this paragraph, "minority person" means the same
16 as defined in section 15.102.

17 PARAGRAPH DIVIDED. These needs include credit services as
18 well as deposit services.

19 Sec. 2. Section 16A.3, subsection 1, Code 1999, is amended
20 to read as follows:

21 1. a. The Iowa economic protective and investment
22 authority is established and constituted a public
23 instrumentality and agency of the state exercising public and
24 essential governmental functions. The authority is
25 established to undertake programs which provide assistance for
26 farming and for small businesses, and including targeted small
27 businesses and farmers who are minority persons as defined in
28 section 15.102. The authority may administer other programs
29 that the authority deems necessary to carry out the purpose
30 identified in section 16A.1.

31 b. The powers of the authority are vested in and exercised
32 by a board of five members appointed by a committee composed
33 of the majority and minority floor leaders of the senate, the
34 speaker of the house of representatives, and the minority
35 floor leader of the house of representatives. No more than

1 three members appointed pursuant to this subsection shall
2 belong to the same political party. As far as possible the
3 board shall include within the membership persons who
4 represent lending institutions experienced in agricultural or
5 small business lending, agricultural suppliers, farmers,
6 operators of small businesses, average citizens, and other
7 persons specially interested in the availability of funds for
8 farm operating loans.

9 Sec. 3. Section 16A.19, unnumbered paragraph 1, Code 1999,
10 is amended to read as follows:

11 The superintendent of banking shall certify that a state
12 bank or national banking association which participates in the
13 operating assistance program is meeting its obligations to
14 meet the credit needs of its community as provided in the
15 federal Community Reinvestment Act of 1977, 12 U.S.C. §
16 2901--2905 and section 12C.6A.

17 EXPLANATION

18 This bill amends provisions requiring financial
19 institutions to provide for community reinvestment in order to
20 qualify to participate in certain state programs.
21 Specifically, the bill amends Code section 12C.6A that
22 prohibits public funds of the state from being deposited in a
23 financial institution which does not demonstrate a commitment
24 to serve the needs of the local community in which it is
25 chartered to do business. The bill also amends Code section
26 16A.3 that establishes the Iowa economic protective and
27 investment authority. The authority is established to
28 undertake programs which provide assistance for farming and
29 for small businesses. The authority is required to establish
30 and develop an operating assistance program to facilitate the
31 availability of affordable operating capital to farmers and
32 small businesses. In both of these cases, participating
33 financial institutions must comply with community reinvestment
34 policies. This bill provides that one way in which a
35 financial institution may demonstrate a commitment to

1 community investment is to provide for the needs of targeted
2 small businesses and minority farmers engaged in farming
3 operations.

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