

MAR 13 2003

COMMERCE, REGULATION & LABOR

HOUSE FILE 538
BY WISE, HUSER, QUIRK,
and MERTZ

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act limiting the investment in banks by credit unions, and
2 making related changes.

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

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24

HF 538

1 Section 1. Section 533.48, subsection 1, Code 2003, is
2 amended to read as follows:

3 1. INVESTMENTS IN BANKS. A credit union may, with the
4 prior approval of the superintendent, invest in the capital
5 stock, obligations, or other securities of a bank, provided
6 that the credit union owns less than one hundred percent of
7 all outstanding shares of a single bank. A credit union shall
8 not purchase or otherwise acquire a bank as defined in section
9 524.103, in whole or in part. The fact that the bank has
10 begun or completed a process of dissolution in order to permit
11 the acquisition to occur shall not be used by the credit union
12 or the bank to suggest that the bank does not formally satisfy
13 the definition of a bank and avoid the prohibition on
14 acquisition.

15 EXPLANATION

16 This bill amends Code section 533.48, regarding the ability
17 of a credit union to make investments in banks and savings and
18 loans. The bill expressly limits the ownership interest of a
19 credit union in a bank to less than 100 percent of all
20 outstanding shares in a single bank, and further prohibits a
21 credit union from purchasing or otherwise acquiring a bank.
22 The fact that a bank must change its business form and go
23 through a process of dissolution in order to further the
24 acquisition process cannot be used to avoid the prohibition on
25 acquisition.

26 The remainder of Code section 533.48 addresses investment
27 by credit unions in savings and loans, as well as the
28 requisite findings the superintendent must make regarding the
29 state of competition if the investment is allowed, in order to
30 grant approval to an investment in either a bank or savings
31 and loan. The Code section also addresses subsequent
32 incorporation of additional banks or savings and loans in the
33 same community and the preservation of competition.

34
35