

**House File 475 - Introduced**

HOUSE FILE 475  
BY THOMSON

**A BILL FOR**

- 1 An Act relating to financial institution acceptance of negotiable
- 2 instruments, and providing penalties.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. **525.1 Definitions.**

2 As used in this chapter, unless the context otherwise  
3 requires:

4 1. "*Financial institution*" means and includes any bank  
5 incorporated under the provisions of any state or federal  
6 law, any savings and loan association incorporated under the  
7 provisions of federal law, any credit union organized under  
8 the provisions of any state or federal law, any corporation  
9 licensed as an industrial loan company under chapter 536A, and  
10 any affiliate of a bank, savings and loan association, credit  
11 union, or industrial loan company.

12 2. "*Negotiable instrument*" means the same as defined in  
13 section 554.3104.

14 Sec. 2. NEW SECTION. **525.2 Financial institutions —**  
15 **negotiable instruments.**

16 1. A financial institution in the state shall do all of the  
17 following:

18 a. Accept tender of any negotiable instrument in exchange for  
19 issuance of a conditional credit to the tendering party.

20 b. Make a good-faith effort to obtain payment from the  
21 original issuer of the negotiable instrument.

22 c. Remit cash to the original issuer from the payment of the  
23 negotiable instrument within two days following the receipt of  
24 the payment.

25 2. A financial institution receiving the tender of a  
26 negotiable instrument may impose a fee for related services.  
27 The fee for the services shall not exceed the greater of twenty  
28 dollars, or one percent of the lesser of any of the following:

29 a. The face amount of the tendered negotiable instrument.

30 b. The amount of proceeds received by the financial  
31 institution.

32 3. The financial institution shall not require the party  
33 tendering a negotiable instrument to open an account with the  
34 financial institution.

35 4. The financial institution shall not require the party

1 tendering a negotiable instrument to present identification.

2 Sec. 3. NEW SECTION. **525.3 Remedies.**

3 1. A person who suffers a violation of this chapter may bring  
4 an action to recover damages in an amount up to five times the  
5 amount of the negotiable instrument and attorney fees.

6 2. If a financial institution has denied acceptance of  
7 a negotiable instrument three or more times, the financial  
8 institution shall be assessed a civil penalty in the amount of  
9 not less than ten thousand dollars, not to exceed twenty-five  
10 thousand dollars, as determined by the court.

11 EXPLANATION

12 The inclusion of this explanation does not constitute agreement with  
13 the explanation's substance by the members of the general assembly.

14 This bill relates to a financial institution's acceptance of  
15 negotiable instruments.

16 The bill defines "financial institution" to mean any bank  
17 incorporated under the provisions of any state or federal  
18 law, any savings and loan association incorporated under the  
19 provisions of federal law, any credit union organized under  
20 the provisions of any state or federal law, any corporation  
21 licensed as an industrial loan company under chapter 536A, and  
22 any affiliate of a bank, savings and loan association, credit  
23 union, or industrial loan company. The bill defines "negotiable  
24 instrument" to mean an unconditional promise or order to pay a  
25 fixed amount of money, with or without interest or other charges  
26 described in the promise or order, as defined in Code section  
27 554.3104.

28 The bill provides that a financial institution in the state  
29 shall accept tender of any negotiable instrument in exchange for  
30 issuance of a conditional credit to the tendering party, make a  
31 good-faith effort to obtain payment from the original issuer of  
32 the negotiable instrument, and remit cash to the original issuer  
33 from the payment of the negotiable instrument within two days  
34 following the receipt of the payment.

35 The bill provides that a financial institution receiving the

1 tender of a negotiable instrument may impose a fee for related  
2 services. The fee for the services shall not exceed the greater  
3 of \$20, or 1 percent of the lesser of the face amount of the  
4 tendered negotiable instrument or the amount of proceeds received  
5 by the financial institution.

6 The bill provides that a financial institution shall not  
7 require the party tendering a negotiable instrument to open an  
8 account with the financial institution or present identification.

9 The bill provides that a person who suffers a violation of the  
10 provisions of the bill may bring an action to recover damages  
11 in an amount up to five times the amount of the negotiable  
12 instrument and attorney fees. If a financial institution has  
13 denied acceptance of a negotiable instrument three or more times,  
14 the financial institution shall pay a civil penalty of between  
15 \$10,000 and \$25,000, as determined by the court.

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