

32 not authorized by such customer or to which the customer was not a
 33 party, provided, however, that liability pursuant to this subsection
 34 shall be limited to losses in excess of fifty dollars in the event the cred-
 35 it union has provided the customer with a physical object or other
 36 method of engaging in a transaction utilizing electronic impulses which
 37 is unique to the customer and the physical object or other method of
 38 engagement has been lost, stolen or otherwise compromised without the
 39 customer having notified the credit union of such loss, theft or compro-
 40 mise prior to the time of the transaction causing the loss to the custom-
 41 er.

Approved June 27, 1975

CHAPTER 241

CREDIT UNIONS

S. F. 39

AN ACT relating to the organization, powers and duties of credit unions.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section five hundred thirty-three point one (533.1), sub-
 2 section one (1), paragraph c, Code 1975, is amended to read as follows:

3 c. The par value of the shares of the credit union which shall be
 4 ~~five dollars each~~ *not exceed twenty-five dollars each and shall be es-*
 5 *tablished by the board of directors. A credit union may have more*
 6 *than one class of shares.*

1 SEC. 2. Section five hundred thirty-three point two (533.2), Code
 2 1975, is amended to read as follows:

3 **533.2 Amendments.** The articles of incorporation or the bylaws
 4 may be amended by a favorable vote of ~~three-fourths~~ *a majority* of
 5 the members present at any meeting, which number must constitute a
 6 quorum provided the proposed amendment was contained in the notice
 7 of the meeting. Any and all such amendments must be approved by
 8 the superintendent of banking before they become effective.

1 SEC. 3. Section five hundred thirty-three point four (533.4), Code
 2 1975, is amended by striking paragraphs g and h of subsection five (5)
 3 and inserting in lieu thereof the following:

4 g. Capital shares, obligations, or preferred stock issues of an agency
 5 or association organized either as a stock company, mutual association,
 6 or membership corporation, if the membership or stockholdings, as the
 7 case may be, of the agency or association are primarily confined or re-
 8 stricted to credit unions or organizations of credit unions, and if the
 9 purposes for which the agency or association is organized are primarily
 10 designed to provide services to credit unions. However, the aggregate
 11 amount invested pursuant to this subsection shall not exceed twenty
 12 percent of the unimpaired legal reserve account of the credit union.

1 SEC. 4. Section five hundred thirty-three point four (533.4), Code
 2 1975, is amended by adding the following new subsections:

3 NEW SUBSECTION. Upon the approval of the superintendent of bank-
 4 ing, serve an employee group having an insufficient number of mem-
 5 bers to form or conduct the affairs of a separate credit union.

6 NEW SUBSECTION. Deposit with a credit union which has been in exist-
7 tence for not more than a year an amount not to exceed twenty-five
8 percent of the assets of the new credit union, but only one credit union
9 may at any time make the deposit.

10 NEW SUBSECTION. Acquire the conditional sales contracts, promissory
11 notes or other similar instruments executed by its members, but the
12 rate of interest existing on the instrument shall not exceed the highest
13 rate charged by the acquiring credit union on its outstanding loans.

14 NEW SUBSECTION. Discount and sell obligations which are due for ag-
15 ricultural loans, student loans, home improvement loans, and consum-
16 er loans, without recourse.

1 SEC. 5. Section five hundred thirty-three point five (533.5), Code
2 1975, is amended to read as follows:

3 **533.5 Membership.** Credit union membership shall consist of the
4 incorporators and such other persons as may be elected to membership
5 and subscribe for at least one share, pay the installment thereon and
6 the entrance fee, *if any*. Organizations, incorporated or otherwise,
7 composed for the most part of the same general group as the credit
8 union membership may be members. Credit union organization shall
9 be limited to groups having a common bond of occupation or associa-
10 tion or to groups within a well-defined neighborhood, community, or
11 rural district. *If adopted as a policy by the board of directors of a*
12 *credit union, members who are no longer included in the common*
13 *bond of association may retain their credit union membership and*
14 *all membership privileges.*

1 SEC. 6. Section five hundred thirty-three point six (533.6), subsec-
2 tion two (2), Code 1975, is amended by adding the following new un-
3 numbered paragraph:

4 NEW UNNUMBERED PARAGRAPH. The superintendent of banking may
5 accept, in lieu of the annual examination of a credit union, an audit
6 report conducted by a certified public accounting firm selected from a
7 list of firms previously approved by the superintendent of banking.
8 The cost of the audit shall be paid by the credit union.

1 SEC. 7. Section five hundred thirty-three point nine (533.9), un-
2 numbered paragraph one (1), Code 1975, is amended to read as fol-
3 lows:

4 Within five days following the organization meeting and each annual
5 meeting the directors shall elect from their own number a ~~presi-~~
6 ~~dent, vice president, treasurer and secretary~~ *chairman of the board,*
7 *vice chairman, president and secretary,* of whom the last two may be
8 the same individual, and also a credit committee of not less than three
9 members and an auditing committee of not less than three members,
10 and may also elect alternate members of the credit committee. It shall
11 be the duty of the directors to have general management of the affairs
12 of the credit union, particularly to:

1 SEC. 8. Section five hundred thirty-three point nine (533.9), un-
2 numbered paragraph two (2), Code 1975, is amended to read as fol-
3 lows:

4 The duties of the officers shall be determined in the bylaws, except
5 that the ~~treasurer~~ *president* shall be the general manager. No member
6 of the board or of either committee shall, as such, be compensated.

1 SEC. 9. Section five hundred thirty-three point ten (533.10), Code
2 1975, is amended to read as follows:

3 **533.10 Credit committee.** The credit committee shall have the
4 general supervision of all loans to members. Applications for loans
5 shall be on a form, prepared by the credit committee, and all applica-
6 tions shall set forth the purpose for which the loan is desired, the secu-
7 rity, if any, offered, and such other data as may be required. Within
8 the meaning of this section an assignment of shares or deposits or the
9 endorsement of a note may be deemed security. At least a majority of
10 the members of the credit committee shall pass on all loans and may
11 grant approval thereof, provided, however, that the credit committee
12 of a credit union, with the approval of the board of directors, may ap-
13 point one or more loan officers, who may be the ~~treasurer or assistant~~
14 ~~treasurer president or vice president~~, and delegate to him or them,
15 subject to conditions and regulations of the credit committee, power to
16 approve ~~or reject~~ loans ~~up to the maximum which can be made with-~~
17 ~~out security, or in excess of such limit if such excess is fully secured by~~
18 ~~shares. Each loan officer shall furnish to the credit committee a record~~
19 ~~of each loan approved or not approved by him within seven days of~~
20 ~~the date of the filing of the application therefor. All loans not ap-~~
21 ~~proved by a loan officer shall be acted upon by the credit committee.~~
22 The credit committee shall meet as often as may be necessary after due
23 notice to each member.

1 SEC. 10. Section five hundred thirty-three point sixteen (533.16),
2 unnumbered paragraph one (1), Code 1975, is amended to read as fol-
3 lows:

4 A credit union may loan to members. Loans must be for a provident
5 or productive purpose and are made subject to the conditions con-
6 tained in the bylaws. A borrower may repay his loan in whole or in
7 part any day the office of the credit union is open for business. ~~No di-~~
8 ~~rector, officer, or member of committee may borrow from the credit~~
9 ~~union in which he holds office beyond the amount of his holdings in it~~
10 ~~in shares and deposits, nor may he endorse for borrowers. A director of~~
11 ~~a credit union may borrow from that credit union under the provi-~~
12 ~~sions of this chapter, but the loan shall not be made on terms more~~
13 ~~favorable than those extended to other members and shall be made~~
14 ~~only after the approval by the board of directors at a regular or spe-~~
15 ~~cial meeting. The director making application for the loan shall not~~
16 ~~be in attendance at the time the board of directors considers his ap-~~
17 ~~plication and shall not take part in the consideration. The loan~~
18 ~~shall be made only if the director has submitted a detailed current~~
19 ~~financial statement. The aggregate amount of director loans shall~~
20 ~~not exceed twenty percent of the assets of the credit union. Loans se-~~
21 ~~cured by a mortgage or deed of trust upon real property may be made~~
22 ~~only on unencumbered property located in Iowa and in bordering~~
23 ~~counties of adjacent states and every such loan shall comply with one~~
24 of the following conditions:

1 SEC. 11. Section five hundred thirty-three point sixteen (533.16),
2 unnumbered paragraph two (2), Code 1975, is amended to read as fol-
3 lows:

4 The foregoing restrictions or limitations shall not prevent the renew-
5 al or extension of loans and shall not apply to loans which are secured
6 under the provisions of the national housing Act, as amended. *The*
7 *board of directors of a credit union possessing assets of at least five*
8 *hundred thousand dollars may set maturity schedules for real prop-*
9 *erty loans not to exceed twenty-five years. The value of the property*
10 *given as security must be determined by an independent appraiser*
11 *and the maximum loan must not exceed ninety percent of the ap-*

12 *praised value. However, the maximum real property loan balances*
 13 *of this type in the credit union shall not exceed fifteen percent of*
 14 *the aggregate total of the member share and deposit accounts.*

1 SEC. 12. Section five hundred thirty-three point seventeen (533.17),
 2 Code 1975, is amended by striking the section and inserting in lieu
 3 thereof the following:

4 **533.17 Reserves.**

5 1. A portion of the gross earnings, as determined before payment of
 6 each dividend, shall be set aside as a legal reserve as follows:

7 a. Ten percent of gross income until the legal reserve equals seven
 8 and one-half percent of the total of outstanding loans and risk assets;
 9 then

10 b. Five percent of gross income until the legal reserve equals ten
 11 percent of the total of outstanding loans and risk assets.

12 Whenever the legal reserve falls below ten percent or seven and one-
 13 half percent of the total of outstanding loans and risk assets, as the
 14 case may be, the difference shall be replaced by regular contributions
 15 in order to maintain the seven and one-half percent or ten percent re-
 16 serve. Any entrance fees, charges and transfer fees shall, after payment
 17 of organization expenses, be added to the legal reserve. The legal re-
 18 serve shall belong to the credit union and shall be used to meet losses
 19 except those resulting from an excess of expenses over income. The re-
 20 serve shall not be distributed except on liquidation of the credit union
 21 or in accordance with a plan approved by the superintendent of bank-
 22 ing.

23 2. For the purpose of establishing legal reserves, the following shall
 24 not be considered risk assets:

25 a. Cash on hand.

26 b. Deposits and shares in federal or state banks, savings and loan
 27 associations, and credit unions.

28 c. Assets which are insured by, fully guaranteed as to principal and
 29 interest by, or due from the United States government.

30 d. Loans to other credit unions.

31 e. Student loans insured under the provisions of Title twenty (XX),
 32 United States Code, section one thousand seventy-one (1071) through
 33 section one thousand eighty-seven (1087) or similar state programs.

34 f. Loans insured by the federal housing administration under Title
 35 twelve (XII), United States Code, section one thousand seven hundred
 36 three (1703).

37 g. Common trust investments which deal in investments authorized
 38 in section five hundred thirty-three point four (533.4) of the Code.

39 h. Prepaid expenses.

40 i. Accrued interest on nonrisk investments.

41 j. Furniture and equipment.

42 k. Land and buildings.

43 3. The superintendent of banking may require a credit union to set
 44 aside additional amounts as a special reserve if an examination of its
 45 assets should disclose that its legal reserve is inadequate.

1 SEC. 13. Section five hundred thirty-three point eighteen (533.18),
 2 Code 1975, is amended by striking the section and inserting in lieu
 3 thereof the following:

4 **533.18 Dividends.**

5 1. At such intervals and for such periods as the board of directors
 6 may authorize, and after transfers to the required reserves, the board
 7 of directors may declare dividends at such rates and upon such classes
 8 of shares as are determined by the board. Such dividends shall be paid

9 on all paid-up shares outstanding at the close of the period for which
10 the dividend is declared.

11 2. Shares which become fully paid up during such dividend period
12 and are outstanding at the close of the period shall be entitled to a
13 proportional share of such dividend.

14 3. Dividend credit for a month may be accrued on shares which are
15 or become fully paid up during the first fifteen days of that month.

1 SEC. 14. Section five hundred thirty-three point nineteen (533.19),
2 Code 1975, is amended to read as follows:

3 **533.19 Expulsion—withdrawal.** A member may be expelled by
4 a ~~two-thirds majority~~ vote of the ~~members present at a special meeting~~
5 ~~called to consider the matter but only after a hearing board of direc-~~
6 ~~tors at a regular or special meeting of the board. The expelled mem-~~
7 ~~ber may request a hearing before the membership of the credit~~
8 ~~union. A meeting of the membership shall be held within sixty days~~
9 ~~of the member's request. The membership may, by majority vote at~~
10 ~~the membership meeting, reinstate the expelled member upon terms~~
11 ~~and conditions prescribed by it.~~ Any member may withdraw from the
12 credit union at any time but notice of withdrawal may be required. All
13 amounts paid on shares or as deposits of an expelled or withdrawing
14 member, with any dividends or interest accredited thereto, to the date
15 thereof, shall, as funds become available and after deducting all
16 amounts due from the member to the credit union, be paid to him.
17 The credit union may require sixty days' notice of intention to with-
18 draw shares and thirty days' notice of intention to withdraw deposits.
19 Withdrawing or expelled members shall have no further rights in the
20 credit union but are not, by such expulsion or withdrawal, released
21 from any remaining liability to the credit union.

1 SEC. 15. Section five hundred thirty-three point thirty (533.30),
2 Code 1975, is amended by striking the section and inserting in lieu
3 thereof the following:

4 **533.30 Merger.**

5 1. A credit union may, with the approval of the superintendent of
6 banking, merge with another credit union under the existing organiza-
7 tion of the other credit union pursuant to a plan agreed upon by the
8 majority of the board of directors of each credit union joining in the
9 merger and approved by the affirmative vote of a majority of the
10 members of the merging credit unions.

11 2. After agreement by the directors and approval by the members
12 of the merging credit unions, the chairman of the board and secretary
13 of the credit unions shall execute a certificate of merger, which shall
14 state:

15 a. The time and place of the meeting of the board of directors at
16 which the plan was agreed upon.

17 b. The vote in favor of the plan adopted by the boards of the re-
18 spective credit unions.

19 c. A copy of the resolution or other action by which the plan was
20 agreed upon.

21 d. The vote by which the plan was approved by the members.

22 3. The certificate and a copy of the plan of merger agreed upon
23 shall be forwarded to the superintendent of banking, certified by him,
24 and returned to both credit unions within thirty days.

25 4. Upon return of the certificate from the superintendent of bank-
26 ing, all property, property rights, and members' interest of the merged
27 credit union shall vest in the surviving credit union without deed, en-
28 dorsement or other instrument of transfer, and all debts, obligations

29 and liabilities of the merged credit union are assumed by the surviving
 30 credit union under whose charter the merger was effected. The rights
 31 and privileges of the members of the merged credit union shall remain
 32 intact. Credit union membership in the surviving credit union shall be
 33 available to persons within the field of membership of the merged cred-
 34 it union.

35 5. This section shall be construed to permit a credit union orga-
 36 nized under any other statute to merge with one organized under this
 37 chapter, or to permit one organized under this chapter to merge with
 38 one organized under any other statute.

1 SEC. 16. Chapter five hundred thirty-three (533), Code 1975, is
 2 amended by adding the following new section:

3 NEW SECTION. **Corporate central credit union.** A credit union,
 4 in which all credit unions, the credit union league, and its affiliates in
 5 the state of Iowa are eligible for membership, may be established in
 6 this state and shall be known as a corporate central credit union. A cor-
 7 porate central credit union shall have all the powers, rights, restrictions
 8 and obligations imposed upon or granted credit unions established un-
 9 der the provisions of this chapter, except:

10 1. It shall not be required to transfer to the legal reserve of the cor-
 11 poration more than five percent of the corporation's net income for the
 12 year.

13 2. It may buy or sell investment securities and corporate bonds
 14 which are evidences of indebtedness. However, the buying and selling
 15 of such investment securities and corporate bonds shall be limited to
 16 buying and selling without recourse to marketable obligations evidenc-
 17 ing indebtedness of any corporation or state or federal agency, under
 18 further definitions of the term "investment securities" as prescribed by
 19 the superintendent. The total amount of the investment securities of
 20 any one obligor or maker held by the credit union shall at no time ex-
 21 ceed five percent of the shares, undivided earnings and reserves of the
 22 credit union except that this limit shall not apply to obligations of the
 23 federal government. The aggregate total of the investment securities
 24 held by the credit union shall not exceed fifteen percent of the shares,
 25 undivided earnings and reserves of said credit union.

Approved April 8, 1975

CHAPTER 242

FAIR TRADE

S. F. 40

AN ACT relating to fair trade practices.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Chapter five hundred fifty (550), Code 1975, is repealed.

Approved February 28, 1975