

Sec. 20. Sections 321.179, 321.225, 321.226, 321.227, 321.447, 321.448, 325.29, 325.37, 325.38, 325.39, 327.18, 327A.7, 327A.10, 327A.11, and 327A.12, Code 1987, are repealed.

Sec. 21. This Act takes effect January 1 following enactment.

Approved May 29, 1987

CHAPTER 171

FINANCIAL POWERS OF PUBLIC AND PRIVATE ENTITIES

H.F. 658

AN ACT relating to the allocation of the state ceiling on private activity bonds for tax-exempt purposes, the powers of certain financial institutions, acts which constitute a fraudulent practice, imposing penalties, and providing an effective date.

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

Section 1. Section 7C.2, subsection 1, Code 1987, is amended to read as follows:

1. ~~Implement Act section 621 of the Deficit Reduction Act of 1984, Pub. L. No. 98-369, section 146 of the Internal Revenue Code~~ by providing a different formula for allocating the state ceiling among the various governmental units which are authorized to issue private activity bonds under the laws of this state.

Sec. 2. Section 7C.3, Code 1987, is amended by striking the section and inserting in lieu thereof the following:

7C.3 DEFINITIONS.

For the purposes of this chapter, unless the context otherwise requires:

1. "Internal Revenue Code" means the Internal Revenue Code as defined in section 422.3.
2. "State ceiling" means the same as defined in section 146(d) of the Internal Revenue Code.
3. "Bond" or "private activity bond" means a private activity bond as defined in section 141 of the Internal Revenue Code.
4. "Political subdivision" means a political subdivision, authority, or department of the state which is authorized under the laws of the state to issue private activity bonds.
5. "Carryforward project" means a carryforward project or carryforward purpose as defined in section 146(f) of the Internal Revenue Code.
6. "Allocation" means that portion of the state ceiling which is allocated and certified to a political subdivision hereby or by the governor's designee pursuant to section 7C.8 with respect to an issue of bonds for a specific project or purpose.
7. "Governor's designee" means the person, department, or authority designated by the governor to administer this chapter.
8. "Qualified mortgage bond" means a qualified mortgage bond as defined in section 143(a) of the Internal Revenue Code.
9. "Qualified small issue bond" means a qualified small issue bond as defined in section 144(a) of the Internal Revenue Code.
10. "Qualified student loan bond" means a qualified student loan bond as defined in section 144(b) of the Internal Revenue Code.
11. "First-time farmer" means a first-time farmer as defined in section 147(c) of the Internal Revenue Code.

Sec. 3. Section 7C.4, Code 1987, is amended to read as follows:

7C.4 MAXIMUM AMOUNT OF BONDS.

The aggregate principal amount of bonds which are subject to section 146 of the Internal Revenue Code which may be issued by all issuers political subdivisions during a calendar year shall not exceed the state ceiling for that calendar year, except as provided in section 7C.8.

Sec. 4. NEW SECTION. 7C.4A ALLOCATION OF STATE CEILING.

For each calendar year, the state ceiling shall be allocated among bonds issued for various purposes as follows:

1. Thirty percent of the state ceiling shall be allocated solely to the Iowa finance authority for the following purposes:

- a. Issuing qualified mortgage bonds.
- b. Reallocating the amount, or any portion thereof, to another qualified political subdivision for the purpose of issuing qualified mortgage bonds; or
- c. Exchanging the allocation, or any portion thereof, for the authority to issue mortgage credit certificates by election under section 25(c) of the Internal Revenue Code.

However, at any time during the calendar year the executive director of the Iowa finance authority may determine that a lesser amount need be allocated to the Iowa finance authority and on that date this lesser amount shall be the amount allocated to the authority and the excess shall be allocated under subsection 6.

2. Twelve percent of the state ceiling shall be allocated to bonds issued to carry out programs established under chapters 280A, 280B, and 280C. However, at any time during the calendar year the director of the Iowa department of economic development may determine that a lesser amount need be allocated and on that date this lesser amount shall be the amount allocated for those programs and the excess shall be allocated under subsection 6.

3. Sixteen percent of the state ceiling shall be allocated to qualified student loan bonds. However, at any time during the calendar year the governor's designee, with the approval of the Iowa student loan liquidity corporation, may determine that a lesser amount need be allocated to qualified student loan bonds and on that date the lesser amount shall be the amount allocated for those bonds and the excess shall be allocated under subsection 6.

4. Five percent of the state ceiling shall be allocated to qualified small issue bonds issued for first-time farmers. However, at any time during the calendar year the governor's designee, with the approval of the Iowa agricultural development authority may determine that a lesser amount need be allocated to qualified small issue bonds for first-time farmers and on that date this lesser amount shall be the amount allocated for those bonds and the excess shall be allocated under subsection 6.

5. During the period of January 1 through October 25, five percent of the state ceiling shall be reserved for private activity bonds issued by political subdivisions, the proceeds of which are used by the issuing political subdivisions.

6. a. The amount of the state ceiling not allocated under subsections 1 through 4, and after October 25, the amount of the state ceiling reserved under subsection 5 and not allocated, shall be allocated to all bonds requiring an allocation under section 146 of the Internal Revenue Code without priority for any type of bond over another, except as otherwise provided in sections 7C.5 and 7C.11.

b. The population of the state shall be determined in accordance with the Internal Revenue Code.

Sec. 5. Section 7C.5, Code 1987, is amended by striking the section and inserting in lieu thereof the following:

7C.5 FORMULA FOR ALLOCATION.

Except as provided in section 7C.4A, subsections 1 through 4, the state ceiling shall be allocated among all political subdivisions on a statewide basis on the basis of the chronological orders of receipt by the governor's designee of the applications described in section 7C.6 with respect to a definitive issue of bonds, as determined by the day, hour, and minute time-stamped

on the application immediately upon receipt by the governor's designee. However, for the period January 1 through October 25 of each year, allocations to bonds for which an amount of the state ceiling has been reserved pursuant to section 7C.4A, subsection 5, shall be made to the political subdivisions submitting the applications first from the reserved amount until the reserved amount has been fully allocated and then from the amount specified in section 7C.4A, subsection 6.

Sec. 6. Section 7C.6, Code 1987, is amended by striking the section and inserting in lieu thereof the following:

7C.6 APPLICATION FOR ALLOCATION.

A political subdivision which proposes to issue bonds for a particular project or purpose for which an allocation of the state ceiling is required and has not already been made under section 7C.4A, subsections 1 through 4, must make an application for allocation before issuance of the bonds. The application may be made by the political subdivision or its representative, the beneficiary of the project or purpose, or by a person acting on behalf of the beneficiary. The application shall be submitted to the governor's designee, in the form prescribed by the governor's designee. The application shall contain, where appropriate, the following information:

1. Name and mailing address of the political subdivision.
2. Name of the chief elected or appointed executive officer of the political subdivision.
3. If the project to be financed by the bonds is not to be owned by the political subdivision, the name or description and location by mailing address or other definitive description of the project for which the allocation is requested.
4. Name and mailing address of both the initial owner, beneficiary, or operator of the project and an appropriate person from whom information regarding the project or purpose can be obtained.
5. Date of adoption by the governing body of the political subdivision of any initial governmental act with respect to the bonds.
6. Amount of the state ceiling which the political subdivision is requesting be allocated to the bonds.
7. Other information which the governor's designee deems reasonably required to carry out the purposes of this chapter.

Sec. 7. Section 7C.7, Code 1987, is amended to read as follows:

7C.7 CERTIFICATION OF ALLOCATION.

Upon the receipt of a completed application pursuant to section 7C.6, the governor's designee shall promptly certify to the ~~issuer~~ political subdivision the amount of the state ceiling allocated to the bonds for the purpose or project with respect to which the application was submitted. The allocation shall remain valid for ~~ninety thirty~~ ninety days from the date the allocation ~~is~~ was certified, subject to the following conditions:

1. If the bonds are issued and delivered for the purpose or project within the ~~ninety-day~~ thirty-day period or the forty-day extension period provided in subsection 2, the ~~issuer~~ political subdivision or the ~~issuer's attorney~~ its representative shall within ten days following the issuance and delivery of the bonds ~~notify or not later than October 25 of that year, if the bonds were issued and delivered on or before that date, file with~~ file with the governor's designee, in ~~such~~ the form or manner as the governor's designee may prescribe, a notification of the date of issuance and the delivery of the bonds, and the actual principal amount of bonds issued and delivered. The filing of the notification shall be done by actual delivery or by posting in a United States post office depository with correct first class postage paid. If the actual principal amount of bonds issued and delivered is less than the amount of the allocation, the amount of the allocation is automatically reduced to the actual principal amount of the bonds issued and delivered.

2. If the issuer political subdivision does not reasonably expect to issue and deliver the bonds within the ninety-day thirty-day period and evidence of an executed, valid and binding agreement to purchase the bonds is obtained from an entity with the legal ability to purchase and this agreement is filed with the governor's designee, the ninety-day thirty-day allocation period is automatically extended for an additional thirty forty-five days. The allocation period shall not be extended beyond that additional thirty forty-five days.

3. The allocation is no longer valid after unless the bonds are issued and delivered prior to December 24 or in the case of bonds described in section 7C.11 are issued and delivered prior to December 31 of the calendar year in which it the allocation is certified, except as provided in section 7C.8.

Sec. 8. Section 7C.8, Code 1987, is amended to read as follows:

7C.8 STATE CEILING CARRYFORWARDS.

It is the intention of the general assembly that the maximum use be made of all carryforward provisions in ~~section 103(n) of the Internal Revenue Code of 1954~~. Therefore, if the aggregate principal amount of bonds, subject to section 146 of the Internal Revenue Code, issued by all issuers political subdivisions in a calendar year is less than the state ceiling for that calendar year, an issuer a political subdivision may apply to the governor's designee for an allocation of a specified portion of the excess state ceiling to be applied to a specified carryforward project. The governor's designee shall determine the time and manner in which applications for an allocation of excess state ceiling shall be made for this purpose and may, in the designee's discretion, refuse any requests. However, the procedures for applications, the method of identifying, and the types permitted of carryforward projects shall comply with the carryforward provisions of ~~section 103(n) of the Internal Revenue Code of 1954~~ and regulations promulgated under ~~that section those provisions~~.

Sec. 9. Section 7C.9, Code 1987, is amended to read as follows:

7C.9 NONBUSINESS DAYS.

If the expiration date of either the ninety-day thirty-day period or the thirty-day forty-five day extension period described in subsection 1 or 2 of section 7C.7 is a Saturday, Sunday or any day on which the offices of the state, banking institutions or savings and loan associations in the state are authorized or required to close, the expiration date is extended to the first day thereafter which is not a Saturday, Sunday or other previously described day.

Sec. 10. Section 7C.10, Code 1987, is amended to read as follows:

7C.10 RESUBMISSION OF EXPIRED ALLOCATIONS.

If an allocation becomes no longer valid as provided in section 7C.7, the issuer political subdivision may resubmit its application for the same project or purpose. The resubmitted application shall be treated as a new application and preference, priority, or prejudice shall not be given to the application or the issuer political subdivision as a result of the prior application.

Sec. 11. Section 7C.11, Code 1987, is amended by striking the section and inserting in lieu thereof the following:

7C.11 PRIORITY ALLOCATIONS.

Notwithstanding any other provision of this chapter, the governor's designee shall give priority in allocation of the state ceiling not yet allocated to bonds which must be issued and delivered on or prior to December 31 of the calendar year in order for the interest on the bonds to be exempt from federal income taxation. Applications for an allocation with respect to these bonds shall be accompanied by an opinion of a nationally recognized bond counsel to the effect that the bonds must be issued and delivered on or prior to December 31 in that calendar year in order for the interest on the bonds to be exempt from federal income taxation.

Sec. 12. Section 7C.12, Code 1987, is amended to read as follows:

7C.12 AUTHORITY AND DUTIES OF THE GOVERNOR AND GOVERNOR'S DESIGNEE.

1. The governor shall designate a person, agency department, or authority to administer this chapter. The person, agency department, or authority so designated shall serve at the pleasure of the governor and shall be selected primarily for administrative ability and knowledge in the area of public finance.

2. In addition to the powers and duties specified in sections 7C.1 to 7C.11, the governor's designee:

1 a. Shall promulgate ~~reasonable~~ rules which are necessary or expedient to carry out the intent and purposes of the private activity bond allocation Act.

2 b. Shall maintain ~~appropriate~~ records of all applications filed by issuers political subdivisions pursuant to section 7C.6 and all bonds issued pursuant to these applications including, but not limited to, a daily accounting of the amount of the state ceiling available for allocation, ~~and the amount of the state ceiling which has been allocated but not used, and the names, addresses, and telephone numbers of those political subdivisions for whom an allocation has been approved or disapproved and the amount of the allocation approved or disapproved for the political subdivisions.~~

Sec. 13. Section 524.803, subsection 1, Code 1987, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. f. Organize, acquire, or invest in a subsidiary for the purpose of engaging in any one or more of the following, subject to the prior approval of the superintendent:

(1) Nondepository activities that a state bank is authorized to engage in directly under this chapter.

(2) Any activity that a bank service corporation is authorized to engage in under state or federal law or regulation.

(3) Any activity authorized pursuant to section 524.825.

Sec. 14. NEW SECTION. 524.825 SECURITIES ACTIVITIES.

Subject to the prior approval of the superintendent, a state bank or a subsidiary of a state bank organized or acquired pursuant to section 524.803, subsection 1, paragraph "f" may engage in directly, or may organize, acquire, or invest in a subsidiary for the purpose of engaging in securities activities and any aspect of the securities industry, including, but not limited to, any of the following:

1. Issuing, underwriting, selling, or distributing stocks, bonds, debentures, notes, interest in mutual funds or money-market-type mutual funds, or other securities.

2. Organizing, sponsoring, and operating one or more mutual funds.

3. Acting as a securities broker-dealer licensed under chapter 502. The business relating to securities shall be conducted through, and in the name of, the broker-dealer. The requirements of chapter 502 apply to any business of the broker-dealer transacted in this state.

A subsidiary engaging in activities authorized by this section may also engage in any other authorized activities under section 524.803, subsection 1, paragraph "f".

Sec. 15. Section 524.901, subsection 1, Code 1987, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. f. Futures, forward, and standby contracts to purchase and sell any of the instruments eligible for state banks' purchase and sale, subject to the prior approval of the superintendent and pursuant to applicable federal laws and regulations governing such contracts. Purchase and sale of such contracts shall be conducted in accordance with safe and sound banking practices and with levels of the activity being reasonably related to the state bank's business needs and capacity to fulfill its obligations under the contracts.

Sec. 16. Section 524.901, subsection 1, Code 1987, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. g. Bonds and securities which are authorized investments under paragraph "a", "b", "c", or "d" include investments in an investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. § 80a, the portfolio of which is limited to the United States government obligations described in paragraph "a", "b", "c", or "d" and to repurchase agreements fully collateralized by the United States government obligations described in paragraph "a", "b", "c", or "d", if the investment company or investment trust takes delivery of the collateral either directly or through an authorized custodian.

Sec. 17. Section 524.901, subsection 3, paragraph d, Code 1987, is amended to read as follows:

d. Shares in a corporation which the state bank is authorized to acquire and hold pursuant to section 524.803, subsection 1, paragraphs "c", "d", and "e", and "f" and section 524.825.

Sec. 18. Section 524.901, subsection 3, Code 1987, is amended by adding the following new lettered paragraphs:

NEW LETTERED PARAGRAPH. i. Shares of investment companies, up to a maximum of twenty percent of capital and surplus of the state bank in any one company, if the portfolio of such an investment company consists wholly of investments in which the state bank could invest directly without limitation pursuant to this section.

NEW LETTERED PARAGRAPH. j. Shares of investment companies whose portfolios contain investments which are subject to limitations pursuant to this section, provided that a state bank's investment in such shares does not exceed the limitation set forth in this section for the underlying instrument.

Sec. 19. Section 524.901, Code 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 6. A state bank may, in the exercise of the powers granted in this chapter, purchase cash value life insurance contracts which may include provisions for the lump sum payment of premiums and which may include insurance against the loss of the lump sum payment. The cash value life insurance contracts purchased from any one company shall not exceed twenty percent of capital and surplus of the state bank.

Sec. 20. Section 533.4, subsection 5, Code 1987, is amended by adding the following new paragraph.

NEW PARAGRAPH. i. Commercial paper issued by United States corporations as defined by rule.

Sec. 21. Section 533.4, subsection 7, Code 1987, is amended to read as follows:

7. Assess fines as may be provided by the bylaws for failure to make repayments on loans and payments on shares when due, provided no such fine shall exceed one percent per month on amounts in arrears or five cents, whichever is the larger.

Sec. 22. Section 533.5, Code 1987, is amended by striking the section and inserting in lieu thereof the following:

533.5 MEMBERSHIP.

The membership of a credit union consists of those persons in the common bond, duly admitted, who have paid any required one-time or periodic membership fee, or both, have subscribed to one or more shares, and have complied with the other requirements specified by the articles of incorporation and bylaws. To continue membership, a member must comply with any changes in the par value of the share. Credit union organization shall be available to groups of individuals who have a common bond of association such as, but not limited to, occupation, common employer, or residence within specified geographic boundaries. Changes in the common bond may be made by the board of directors. If adopted as a policy by the board of directors of a credit union, members who cease to meet qualifications of membership may retain their credit union membership and all membership privileges. Organizations, incorporated or otherwise, may be members.

Sec. 23. Section 533.9, unnumbered paragraph 1, Code 1987, is amended to read as follows:

Within five days following the organization meeting and each annual meeting the directors shall elect from their own number a chairperson of the board, a vice chairperson, ~~president and a secretary, of whom the last two may be the same individual,~~ and also a chief financial officer whose title shall be designated by the board of directors, a credit committee of not less than three members, and an auditing committee of not less than three members, and may also elect alternate members of the credit committee. The board may appoint an executive committee to act on its behalf when designated for that purpose. It shall be the duty of the ~~The~~ directors to have general management of the affairs of the credit union, particularly to:

Sec. 24. Section 533.9, subsections 1 through 7, and unnumbered paragraph 2, Code 1987, are amended by striking the subsections and unnumbered paragraph.

Sec. 25. Section 533.11, subsections 1 and 2, Code 1987, are amended to read as follows:

1. Make or cause to be made an examination of the affairs of the credit union at least ~~quarterly~~ semiannually, including an audit of its books and, ~~in the event said if the committee feels such action to be necessary, it shall call the members together thereafter~~ after the audit and submit to them its report.

2. Make or cause to be made an annual ~~audit and report and submit the same~~ it at the annual meeting of the members.

Sec. 26. Section 533.34, subsection 1, Code 1987, is amended to read as follows:

1. A state credit union may convert into a federal credit union with the approval of the administrator of the national credit union administration and by the affirmative vote of a majority of the credit union's members ~~eligible to who vote on the proposal.~~ This vote, if taken, shall be at a ~~special meeting called for that purpose and shall be in the manner prescribed by the bylaws.~~ Any member eligible to vote and not present at the meeting may, within twenty days after the date on which the meeting was held, vote in favor of conversion by signing a statement in a form satisfactory to the superintendent. This vote shall have the same force and effect as if cast at the meeting.

Sec. 27. Section 533.38, unnumbered paragraph 1, Code 1987, is amended to read as follows:

A corporate central credit union may be established. Credit unions organized under this chapter, the Federal Credit Union Act, or any other credit union act and credit union organizations may be members. In addition, regulated financial institutions, nonprofit organizations, and cooperative organizations may be members to the extent and manner provided for in the bylaws of the corporate central credit union. The corporate central credit union shall have all the powers, restrictions, and obligations imposed upon, or granted to a credit union under this chapter, except that the corporate central credit union may exercise any of the following additional powers subject to the adoption of rules by the superintendent pursuant to chapter 17A and with the prior written approval of the superintendent:

Sec. 28. NEW SECTION. 533.48 INVESTMENT IN BANKS OR SAVINGS AND LOAN ASSOCIATIONS.

1. INVESTMENTS IN BANKS. A credit union may, with the prior approval of the superintendent, invest in the capital stock, obligations, or other securities of a bank.

2. INVESTMENT IN SAVINGS AND LOANS. A credit union may, with the prior approval of the superintendent, invest in the capital stock, obligations, or other securities of a state savings and loan association.

3. FINDINGS REQUIRED. The superintendent shall not grant an approval under subsection 1 or 2, except after making one of the following findings:

a. Based upon a preponderance of the evidence presented, the proposed investment will not have the immediate effect of significantly reducing competition between depository financial institutions located in the same community as the institution whose shares would be acquired.

b. Based upon a preponderance of the evidence presented, the proposed investment would have an anticompetitive effect as described in paragraph "a", but other factors, specifically cited, outweigh the anticompetitive effect so that there would be a net public benefit as a result of the investment.

4. **COMPETITION PRESERVED.** The subsequent liquidation of a bank or state savings and loan association whose shares are acquired under this section shall not prevent the subsequent incorporation of another bank or savings and loan association in the same community, and the superintendent of banking shall not find the liquidation of such a bank to be grounds for disapproving the incorporation of another bank in the same community under section 524.305, and the superintendent of savings and loan associations shall not find the liquidation of such a savings and loan association to be grounds for disapproving the incorporation of another savings and loan association in the same community under chapter 534.

Sec. 29. Section 534.103, subsection 6, Code 1987, is amended to read as follows:

6. **LIMITED TRUST POWERS.** ~~Associations~~ An association incorporated under this chapter may act as trustee for trusts which are created or organized in the United States, and which form part of a stock bonus, pension, or profit sharing plan which qualifies for special tax treatment under section 401(d) or subsection (a) of section 408 of the Internal Revenue Code of 1954, as amended, or as trustee with no active fiduciary duties, if the funds of ~~such the~~ trust are invested only in savings accounts or deposits in ~~such the~~ association or in obligations or securities issued by ~~such the~~ association. All funds held in such a fiduciary capacity by ~~any such~~ an association may be commingled for appropriate purposes of investment, but individual records shall be kept by the fiduciary for each participant and shall show in proper detail all transactions engaged in under the authority of this subsection.

The ~~administrator~~ superintendent is authorized to grant by special permit to an association the right to act as trustee, executor, administrator, guardian, or in any other fiduciary capacity. However, this authority is available only for periods of time when federally chartered savings and loan associations operating in this state are granted similar authority, and the state authorization is subject to the rights and limitations established in rules adopted by the superintendent, which shall be consistent with the rights and limitations for federally chartered associations engaged in this type of activity.

Sec. 30. Section 534.107, Code 1987, is amended to read as follows:

534.107 EXPENDITURES AND OPERATING EXPENSES.

~~All expenses for management in conducting the affairs of an association, excluding the cost of borrowed money, shall be paid from interest, service charges and other sources of profit. The said operating expense for of an association in any one year shall not exceed three percent for associations with assets not to exceed eight hundred thousand dollars and two percent for those over such amount as shown by the associations in their last annual report of the association's average assets during that year without the written approval of the superintendent.~~

Sec. 31. Section 534.111, unnumbered paragraph 2, Code 1987, is amended to read as follows:

Every association organized under the ~~provisions of this chapter shall have and exercise~~ has all the rights, powers, and privileges ~~pertaining to savings and to loans not in conflict with the laws of this state, which are conferred upon federal savings and loan associations by the Home Owners' Loan Act of 1933, title 12, section 1464, United States Code 12 U.S.C. § 1464, and conferred by regulations adopted by the federal home loan bank board and the federal savings and loan insurance corporation.~~

Sec. 32. **NEW SECTION.** 534.112 **REGULATORY CAPITAL.**

An association shall maintain regulatory capital in the amount required by regulations of the federal savings and loan insurance corporation. For the purpose of this section, "regulatory capital" means the sum of all reserve accounts (except specific reserves established to

offset actual or anticipated losses), undivided profits, surplus, capital stock, and any other non-withdrawable accounts.

Sec. 33. Section 534.207, subsection 1, paragraph a, Code 1987, is amended to read as follows:

a. Loans secured by first liens or first claims on residential real estate, participation interests in groups of loans secured by first liens or first claims on residential real estate, securities that are secured by groups of loans secured by first liens or first claims on residential real estate, or property improvement loans for the making of improvements upon residential real property, or a combination of these.

Sec. 34. Section 534.209, Code 1987, is amended by striking the section and inserting in lieu thereof the following:

534.209 COMMERCIAL LENDING AND ACCOUNTS.

1. An association shall not hold more than forty percent of its assets in commercial loans and consumer loans as an annual average based on monthly computations.

2. An association may accept a commercial NOW account. For the purposes of this subsection, a "commercial NOW account" is a NOW account, as authorized by section 534.301, subsection 3, for a commercial, corporate, business, or agricultural entity.

3. For the purposes of this section, unless the context otherwise requires:

a. "Commercial loan" means a loan to a person borrowing money for a business or agricultural purpose.

b. "Business purpose" means a loan to a for-profit entity, or a for-profit activity, including but not limited to a commercial, service, or industrial enterprise carried on for profit, or an investment activity.

c. "Agricultural purpose" means as defined in section 535.13.

d. "Commercial loan" does not include a loan secured by an interest in real estate for the purpose of financing the acquisition of real estate or the construction of improvements on real estate. In determining which loans are "commercial loans" the rules of construction stated in section 535.2, subsection 2, paragraph "b", apply.

4. For the purposes of this section, a lease of personal property is treated as a commercial loan if a loan to the lessee to acquire the property would have been a commercial loan.

Sec. 35. NEW SECTION. 534.215 FALSE STATEMENT FOR CREDIT.

A person who knowingly does either of the following is guilty of a fraudulent practice:

1. Makes or causes to be made, directly or indirectly, a false statement in writing with the intent that the false statement shall be relied upon by an association for the purpose of procuring the delivery of property, the payment of cash, or the receipt of credit in any form, for the benefit of the person or of any other person in which the person is interested or for whom the person is acting.

2. Procures the delivery of property, the payment of cash, or the receipt of credit in any form, knowing that a false statement in writing has been made concerning the financial condition or means or ability to pay of the person, or any other person in which the person is interested or for whom the person is acting, if the person knew that the association relied or would rely upon the false written statement.

Sec. 36. Section 534.307, subsection 2, Code 1987, is amended by striking the subsection.

Sec. 37. Section 534.505, subsection 4, Code 1987, is amended by striking the subsection.

Sec. 38. Section 534.702, Code 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 9. Subject to the laws and regulations of the United States, a foreign association transacting business within this state is subject to the provisions of this chapter and is subject to the supervision of the superintendent as to its operations in this state. Notwithstanding subsection 2 of section 534.102, the term "association" or "state association" in this chapter shall include a foreign association and any foreign association which is a party

to a plan of merger under section 534.511 as to its operations in this state.

Sec. 39. This Act, being deemed of immediate importance, takes effect upon enactment.

Approved May 29, 1987

CHAPTER 172

STATE PARK ROAD AND CONSERVATION PARKWAY FUNDING

H.F. 472

AN ACT to authorize the funding of state park road projects and county conservation parkway projects from rise funds.

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

Section 1. Section 315.6, Code 1987, is amended to read as follows:

315.6 FUNDING OF PROJECTS.

Qualifying projects may be funded as follows:

1. Primary road and state park road projects may be financed entirely by the fund, or by combining money from the fund with money from the primary road fund, federal aid primary funds received by the state, ~~or~~ money from cities or counties raised through the sale of general obligation bonds of the cities or counties, other city or county revenues, or money from participating private parties.

2. Secondary road, state park road, and county conservation parkway projects may be funded entirely by the fund or by combining money from the fund with money from the county's portion of road use tax funds, federal aid secondary funds, other county revenues, ~~or~~ money raised through the sale of general obligation bonds of the county, or money from participating private parties.

3. City street and state park road projects may be funded entirely by the fund, or by combining money from the fund with money from the city's portion of road use tax funds, federal aid urban system funds, other municipal revenues, ~~or~~ money raised through the sale of general obligation bonds of the city, or money from participating private parties.

A county or city may, at its option, apply moneys allocated for use on secondary road or city street projects under section 315.4, subsection 2 or 3, toward qualifying primary road, state park road, and county conservation parkway projects.

Approved June 2, 1987

CHAPTER 173

RECREATION TRAILS

H.F. 575

AN ACT relating to the acquisition, development, promotion, and management of land for recreation trails.

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

Section 1. NEW SECTION. 111E.1 STATEMENT OF PURPOSE — INTENT.

The general assembly finds that recreation trails provide a significant benefit for the health and well-being of Iowans and state visitors. Iowa has a national reputation as a place for hiking, walking, and bicycling. The use of recreation trails has a significant influence on Iowa's