

Reported Recommending
Ind. Postponed
Passed House
Failed to Pass House
Passed Senate
Failed to Pass Senate

House File 245

February 11, 1947.
Banks and Banking.

By SCHWENGEL, REDMAN, McFARLANE,
HEDIN and SLOANE.

A BILL FOR

An Act to amend chapter five hundred thirty-three (533),
Code 1946, relating to credit unions.

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

1 Section 1. Chapter five hundred thirty-three (533),
2 Code 1946, is hereby amended by inserting the following
3 section at the beginning of said chapter: "Definition and
4 Purpose. A credit union is hereby defined as a cooperative,
5 nonprofit association, incorporated in accordance with the
6 provisions of this chapter for the purpose of creating a
7 source of credit at a fair and reasonable rate of interest,
8 of encouraging habits of thrift among its members and of
9 providing the opportunity for people to use and control
10 their savings for their mutual benefit."

1 Sec. 2. Chapter five hundred thirty-three (533), Code
2 1946, is hereby amended by inserting immediately preceding
3 section five hundred thirty-three point one (533.1) the
4 following new section: "Administration. The superintendent
5 of banking shall be charged with the execution of the laws
6 of this state relating to credit unions."

1 Sec. 3. Section five hundred thirty-three point one

2 (533.1), Code 1946, is hereby amended as follows:

3 1. By striking from line one (1) of subsection one (1)
4 and from line twelve (12) of the last paragraph of said
5 section the word "a".

6 2. By striking from lines six (6), seven (7) and eight
7 (8) of subsection six (6) the words "as articles of
8 incorporation are recorded and indexed".

9 3. By striking out the words "certificate of organization"
10 wherever they appear in said section and inserting the words
11 "articles of incorporation" in lieu thereof and by striking
12 from line three (3) of subsection one (1) and from line two
13 (2) of subsection one (1), paragraph b and from line one (1)
14 of subsection three (3) and from line two (2) of subsection
15 four (4) of said section the word "certificate" and inserting
16 the word "articles" in lieu thereof.

17 4. By striking from line two (2) of subsection one (1),
18 paragraph c the words "not exceed ten" and inserting the
19 words "be five" in lieu thereof.

20 5. By striking from line three (3) of subsection three
21 (3) the word "two" and inserting the word "ten" in lieu thereof.

1 Sec. 4. Section five hundred thirty-three point two
2 (533.2), Code 1946, is hereby repealed and the following
3 inserted in lieu thereof: "Amendments. The articles of
4 incorporation or the bylaws may be amended by a favorable
5 vote of three-fourths of the members present at any meeting,
6 which number must constitute a quorum provided the proposed

7 amendment was contained in the notice of the meeting. Any
8 and all such amendments must be approved by the superintendent
9 of banking before they become effective.”

1 Sec. 5. Section five hundred thirty-three point three
2 (533.3), Code 1946, is hereby repealed and the following
3 inserted in lieu thereof: “Restriction. No person, firm,
4 corporation, co-partnership, or association, except a credit
5 union organized under the provisions of this chapter or under
6 the federal credit union act or except the Iowa credit union
7 league, inc. or chapters of said league, shall use a name
8 or title containing the words “credit union” or any
9 derivation thereof or shall represent themselves, in their
10 advertising or otherwise, as conducting business as a
11 credit union.

12 Any person, firm, corporation, co-partnership, or
13 association, upon conviction of the violation of the
14 provisions of this section shall be fined not more than
15 five hundred dollars (\$500.00) or imprisoned not more than
16 one year or both; and may be enjoined from such continued
17 use of said words, advertising or other representation.”

1 Sec. 6. Section five hundred thirty-three point four
2 (533.4), subsection seven (7), Code 1946, is hereby amended
3 by inserting after the word “due” in line three (3) thereof
4 the following: “, provided no such fine shall exceed one
5 percent (1%) per month on amounts in arrears or five (5) cents,
6 whichever is the larger” and is further amended by adding the

7 following new subsections:

8 "8. Sue and be sued.

9 9. Make contracts.

10 10. Purchase, hold and dispose of property necessary and
11 incidental to its operation provided, however, that any
12 property acquired through foreclosure shall be disposed of
13 within a period not to exceed ten (10) years.

14 11. Exercise such incidental powers as may be necessary
15 or requisite to enable it to carry on effectively the business
16 for which it is incorporated."

1 Sec. 7. Section five hundred thirty-three point six
2 (533.6), Code 1946, is hereby repealed and the following
3 inserted in lieu thereof: "Reports. Credit Unions organized
4 under this chapter shall report to the superintendent of
5 banking annually on or before the first day of February on
6 blanks supplied by him for that purpose. Additional reports
7 may be required. If any report remains in arrears for more
8 than five (5) days, a fine of five (5) dollars for each day
9 such report remains in arrears may be levied against such
10 offending credit union. If such report is not returned
11 within thirty (30) days of the due date, the superintendent
12 of banking may, after written notice to the president of such
13 credit union of his intention to do so, suspend or revoke
14 the certificate of approval, take possession of the business
15 and property of such credit union, and order its dissolution."

1 Sec. 8. Chapter five hundred thirty-three (533), Code

2 1946, is hereby amended by inserting immediately following
3 section five hundred thirty-three point six (533.6), a new
4 section as follows: "Examinations. The superintendent of
5 banking shall examine, or cause to be examined, each credit
6 union annually. Each credit union and all of its officers
7 and agents shall give to the representatives of said
8 superintendent free access to all books, papers, securities,
9 records and other sources of information under their control;
10 and for the purposes of such examination said representatives
11 shall have the power to subpoena witnesses, administer oaths,
12 compel the giving of testimony, and require the submission
13 of documents. A report of such examination shall be
14 forwarded to the president of each credit union within thirty
15 (30) days after the completion of the examination. Within
16 thirty (30) days of the receipt of such report, a meeting of
17 the directors shall be called to consider matters contained
18 in the report and the action taken shall be set forth in the
19 minutes of the Board.

20 The superintendent of banking may require any credit
21 union, whose records are inadequate or whose books have not
22 been balanced as of the end of the month not less than thirty
23 days previously or whose affairs are in an unfavorable
24 condition, to submit to an additional examination each year.

25 Each credit union shall pay to the superintendent of
26 banking a maximum fee for all examinations as follows: During
27 its first three (3) years of operation ten (10) dollars plus

28 twenty (20) cents per hundred (100) dollars of assets at
29 the time of the examination and each year thereafter fifteen
30 (15) dollars plus twenty (20) cents per hundred (100) dollars
31 of assets at the time of the examination.

32 If it shall appear that any credit union is insolvent or
33 that it has violated any of the provisions of this chapter,
34 the superintendent of banking may, after hearing or giving
35 opportunity for a hearing, order such credit union to correct
36 such condition and shall grant it not less than sixty (60)
37 days within which to comply and failure so to do shall afford
38 the said superintendent grounds to revoke the certificate
39 of approval and to apply to the district court of the district
40 in which such credit union is located for the appointment of
41 a receiver to close up the affairs of such credit union.”

1 Sec. 9. Section five hundred thirty-three point seven
2 (533.7), Code 1946, is hereby repealed and the following
3 inserted in lieu thereof: “Fiscal year—meetings. The
4 fiscal year of all credit unions shall end December 31.

5 Annual meetings shall be held, and special meetings may be
6 held, in the manner indicated in the bylaws.

7 At all meetings no member shall have more than one vote
8 regardless of the shares held by him. There shall be no
9 voting by proxy. A member other than a natural person may
10 cast a single vote through a delegated agent which agent
11 shall be a member of the organization for which he acts. The
12 majority of members present at any meeting may modify, amend

13 or reverse any act of the board of directors or instruct it
14 to take action not inconsistent with the bylaws or of this
15 chapter.”

1 Sec. 10. Section five hundred thirty-three point eight
2 (533.8), Code 1946, is hereby repealed and the following
3 inserted in lieu thereof: “Elections. At the organization
4 meeting there shall be elected a board of directors of not
5 less than nine members to hold office for such terms as the
6 bylaws provide and until successors are elected and qualify.
7 At each annual meeting there shall be elected one member to
8 fill each position vacated by reason of expiring terms or
9 other causes. A record of the names and address of the
10 directors, officers and committeemen shall be filed with the
11 superintendent of banking within ten days following each
12 election.”

1 Sec. 11. Section five hundred thirty-three point nine
2 (533.9), Code 1946, is hereby amended by striking out the
3 first sentence thereof and inserting in lieu thereof the
4 following: “Within five (5) days following the organization
5 meeting and each annual meeting the directors shall elect from
6 their own number a president, vice-president, treasurer and
7 secretary, of whom the last two may be the same individual,
8 and also a credit committee of not less than three (3) members
9 and an auditing committee of three (3) members.” and is further
10 amended by striking out all of subsection five (5) of said
11 section and inserting in lieu thereof the following: “Fill

12 vacancies which occur in the board between meetings of the
13 members until the next annual meeting and until successors
14 are elected and qualify.”

1 Sec. 12. Section five hundred thirty-three point eleven
2 (533.11), Code 1946, is hereby amended by striking out the
3 word “supervisory” in line one (1) and two (2) of the first
4 paragraph and line one (1) of the last paragraph thereof
5 and inserting in lieu thereof the word “auditing” and is
6 further amended by striking out the last sentence in said
7 section.

1 Sec. 13. Chapter five hundred thirty-three (533),
2 Code 1946, is hereby amended by inserting immediately
3 following section five hundred thirty-three point twelve
4 (533.12) a new section as follows: “Joint accounts. A
5 member may designate any person or persons to hold shares,
6 deposits, and thrift club accounts with him in joint tenancy
7 with the right of survivorship, but no joint tenant, unless
8 a member in his own right, shall be permitted to vote, obtain
9 loans, or hold office or be required to pay an entrance fee.
10 Payment of part or all of such accounts to any of the joint
11 tenants shall, to the extent of such payment, discharge the
12 liability to all.”

1 Sec. 14. Section five hundred thirty-three point
2 thirteen (533.13), Code 1946, is hereby repealed and the
3 following inserted in lieu thereof: “Minors. Shares may
4 be issued and deposits accepted in the name of a minor and

5 such shares and deposits may be withdrawn by such minor and
6 payments made on such withdrawals shall be valid. No such
7 minor under sixteen (16) years of age shall be entitled to
8 vote in the meetings of the members either personally or
9 through his parent or guardian, nor may he become a director
10 until he shall have reached his eighteenth (18) birthday.”

1 Sec. 15. Chapter five hundred thirty-three (533), Code
2 1946, is hereby amended by inserting a new section
3 immediately following section five hundred thirty-three point
4 thirteen (533.13) as follows: “Trust accounts. If shares
5 and deposits are held in trust, the name and residence of the
6 beneficiary shall be disclosed and the account shall be kept
7 in the name of the holder as trustee for such beneficiary.
8 Such shares and deposits may be withdrawn, upon the death of
9 the trustee, by the beneficiary’s legal representative.”

1 Sec. 16. Section five hundred thirty-three point
2 fifteen (533.15), Code 1946, is hereby amended by striking out
3 the words “its assets” in lines four (4) and five (5) thereof
4 and by inserting in lieu thereof the words “the sum of its
5 share and deposit account balances”.

1 Sec. 17. Section five hundred thirty-three point sixteen
2 (533.16), Code 1946, is hereby amended by inserting at the
3 end thereof the following: “Loans secured by a mortgage or
4 deed of trust upon real property may be made only on
5 unencumbered property located in Iowa and in bordering
6 counties of adjacent states and every such loan shall comply

7 with one of the following conditions:

8 (1) If the terms of the instrument securing such loan
9 call for payment at maturity the loan shall not be for a
10 period in excess of five (5) years and the amount loaned
11 shall not exceed fifty percent (50%) of the appraised value
12 of the property given as security.

13 (2) If the terms of the instrument securing such loan call
14 for installment payments which are sufficient to retire at
15 least forty percent (40%) of the principal of the loan within
16 ten (10) years the amount loaned shall not exceed sixty percent
17 (60%) of the appraised value of the property given as security
18 and shall not be for a period in excess of ten (10) years.

19 (3) If the terms of the instrument securing such loan call
20 for monthly installment payments, including principal and
21 interest, at least equal to one percent (1%) of the principal
22 of the loan, the amount loaned shall not exceed eighty percent
23 (80%) of the appraised value of the property given as security.

24 The foregoing restrictions or limitations shall not prevent
25 the renewal or extension of loans and shall not apply to loans
26 which are secured under the provisions of the national housing
27 act, as amended.

28 No credit union shall loan to any one member more than one
29 hundred (100) dollars or ten percent (10%) of its total assets
30 whichever is greater."

1 Sec. 18. Section five hundred thirty-three point seventeen
2 (533.17), Code 1946, is hereby repealed and the following

3 inserted in lieu thereof:

4 "Reserves.

5 (1) Legal reserves. All fees and fines shall, after the
6 payment of organization expenses, be added to the legal reserve
7 of the corporation.

8 In addition thereto, at the end of each fiscal year until
9 such time as said legal reserve equals ten percent (10%) of
10 the sum of the share and deposit account balances of the
11 corporation, there shall be transferred to said reserve not less
12 than ten percent (10%) of the corporation's gross income for
13 the year. Thereafter there shall annually be added to said
14 reserve at the end of each fiscal year such percent of the
15 gross earnings, but not exceeding ten percent (10%), as shall
16 be required to maintain said reserve at ten percent (10%)
17 of the sum of the said share and deposit account balances.

18 The legal reserve, including any excess which may be in
19 said reserve at the time this amendment becomes effective,
20 shall belong to the corporation, and shall not be distributed
21 except on dissolution of the credit union. Said legal reserve
22 shall be used to meet losses, except those resulting from an
23 excess of expenses over income.

24 (2) Special reserve. However, the superintendent of
25 banking may require a credit union to set aside additional
26 amounts as a special reserve if an examination of its assets
27 should disclose that its legal reserve is inadequate."

1 Sec. 19. Section five hundred thirty-three point eighteen

2 (533.18), Code 1946, is hereby amended by striking from lines
3 one (1) and two (2) the words "On recommendation of the
4 directors, a credit union" and inserting in lieu thereof "The
5 board of directors" and is further amended by adding at the
6 end of said section the following sentence: "At any meeting
7 the members may establish a maximum dividend rate which shall
8 be binding on the directors until changed at a subsequent
9 meeting."

1 Sec. 20. Section five hundred thirty-three point twenty
2 (533.20), Code 1946, is hereby amended by inserting at the
3 end of subsection one (1) the following sentence: "Any
4 member not present at such meeting may, within the next
5 twenty (20) days, vote in favor of dissolution by signing
6 a statement in form approved by the superintendent of
7 banking and such vote shall have as full force and effect
8 as if cast at such meeting."

1 Sec. 21. All existing credit unions shall amend their
2 bylaws to conform to these amendments not later than
3 December first, 1947, and Section eleven (11) hereof shall
4 be put into effect at the first annual meeting thereafter.

1 Sec. 22. If any section, sentence, clause or part of
2 this act is for any reason held to be unconstitutional or
3 invalid, such decision shall not affect the remaining
4 portion of this act or the chapter it amends.

EXPLANATION OF H. F. 245

The present law relating to credit unions was passed in 1925 at a time when not too much was known about them, consequently this law is too vague to meet the problems arising in serving the forty-two odd thousand credit union members in this state and has frequently hampered the superintendent of banking in his administrative duties.

This bill eliminates the conflicts in the present law and clarifies the whole chapter by defining credit unions, by unquestionably placing in the superintendent of banking the responsibility for seeing that its provisions are followed, by standardizing the size of shares, by providing for the amendment of articles of incorporation as well as by-laws and placing whole procedure for amendment in one section, clarifies and expands the present restriction on use of words "credit union," by definitely granting powers only presently implied, by clarifying the time reports are due and setting forth penalties for failure to do so, by clarifying the authority of the superintendent of banking and his examiners in making examinations and providing for more than one yearly examination in certain cases and for an examination fee as well as procedure for involuntary dissolution, by requiring an annual meeting and placing in one section general rules governing meetings of members, by having all operating officers and committee-men members of the board of directors, by definitely providing for joint accounts, by placing certain restrictions on minor members and clarifying handling accounts of minors and those held in trust, by restricting power to borrow, by making more definite conditions under which certain loans may be granted, by changing method of providing for and placing a top in legal reserves and granting the superintendent of banking authority to require special reserves of certain credit unions, by placing power to declare dividends in hands of the board of directors, and by making practical the method of voluntary dissolution.