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 Failed to Pass Senate .....

Senate File 248

February 11, 1947.  
 Passed on File.

By CLEM, HART, FAUL, REILLY  
 and ZASTROW.

## A BILL FOR

An Act to amend 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 section  
 3 at the beginning of said chapter: "Definition and Purpose. A  
 4 credit union is hereby defined as a cooperative, non-profit  
 5 association, incorporated in accordance with the provisions of  
 6 this chapter for the purpose of creating a source of credit at  
 7 a fair and reasonable rate of interest, of encouraging habits  
 8 of thrift among its members and of providing the opportunity for  
 9 people to use and control 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 following  
 4 new section: "Administration. The superintendent of banking  
 5 shall be charged with the execution of the laws of this state  
 6 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 section  
5 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 incorporation  
8 are recorded and indexed".

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

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

21 5. By striking from line three (3) of subsection three  
22 (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 inserted  
3 in lieu thereof: "Amendments. The articles of incorporation or  
4 the by-laws may be amended by a favorable vote of three-fourths  
5 ( $\frac{3}{4}$ ) of the members present at any meeting, which number must  
6 constitute a quorum provided the proposed amendment was contained

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

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2 (533.3), Code 1946, is hereby repealed and the following inserted  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

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

1 Sec. 6. Section five hundred thirty-three point four  
2 (533.4), subsection seven (7), Code 1946, is hereby amended by  
3 inserting after the word “due” in line three (3) thereof the  
4 following: “, provided no such fine shall exceed one percent  
5 (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 property  
12 acquired through foreclosure shall be disposed of within a  
13 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 than  
8 five (5) days, a fine of five (5) dollars for each day such  
9 report remains in arrears may be levied against such offending  
10 credit union. If such report is not returned within thirty  
11 (30) days of the due date, the superintendent of banking may,  
12 after written notice to the president of such credit union of  
13 his intention to do so, suspend or revoke the certificate of  
14 approval, take possession of the business and property of such  
15 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 its officers and  
7 agents shall give to the representatives of said superintendent  
8 free access to all books, papers, securities, records and other  
9 sources of information under their control; and for the purposes  
10 of such examination said representatives shall have the power to  
11 subpoena witnesses, administer oaths, compel the giving of  
12 testimony, and require the submission of documents. A report of  
13 such examination shall be forwarded to the president of each  
14 credit union within thirty (30) days after the completion of  
15 the examination. Within thirty (30) days of the receipt of  
16 such report, a meeting of the directors shall be called to  
17 consider matters contained in the report and the action taken  
18 shall be set forth in the minutes of the Board.

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

24 Each credit union shall pay to the superintendent of  
25 banking a maximum fee for all examinations as follows: During  
26 its first three (3) years of operation ten (10) dollars plus  
27 twenty (20) cents per hundred (100) dollars of assets at the  
28 time of the examination and each year thereafter fifteen (15)

29 dollars plus twenty (20) cents per hundred (100) dollars of  
30 assets at the time of the examination.

31 If it shall appear that any credit union is insolvent or  
32 that it has violated any of the provisions of this chapter, the  
33 superintendent of banking may, after hearing or giving  
34 opportunity for a hearing, order such credit union to correct  
35 such condition and shall grant it not less than sixty (60)  
36 days within which to comply and failure so to do shall afford  
37 the said superintendent grounds to revoke the certificate of  
38 approval and to apply to the district court of the district  
39 in which such credit union is located for the appointment of a  
40 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 fiscal  
4 year of all credit unions shall end December 31. Annual  
5 meetings shall be held, and special meetings may be held, in  
6 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 cast  
10 a single vote through a delegated agent which agent shall be  
11 a member of the organization for which he acts. The majority  
12 of members present at any meeting may modify, amend or reverse  
13 any act of the board of directors or instruct it to take  
14 action not inconsistent with the bylaws or of this 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  
6 from their own number a president, vice-president, treasurer  
7 and secretary, of whom the last two may be the same individual,  
8 and also a credit committee of not less than three (3)  
9 members and an auditing committee of three (3) members." and  
10 is further amended by striking out all of subsection five (5)  
11 of said section and inserting in lieu thereof the following:  
12 "Fill vacancies which occur in the board between meetings of  
13 the 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 and  
5     inserting in lieu thereof the word “auditing” and is further  
6     amended by striking out the last sentence in said section.

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

1     Sec. 14. Section five hundred thirty-three point thirteen  
2     (533.13), Code 1946, is hereby repealed and the following  
3     inserted in lieu thereof: “Minors. Shares may be issued and  
4     deposits accepted in the name of a minor and such shares and  
5     deposits may be withdrawn by such minor and payments made on  
6     such withdrawals shall be valid. No such minor under sixteen  
7     (16) years of age shall be entitled to vote in the meetings of  
8     the members either personally or through his parent or guardian,  
9     nor may he become a director until he shall have reached his

10 eighteenth (18) birthday.”

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

1 Sec. 16. Section five hundred thirty-three point fifteen  
2 (533.15), Code 1946, is hereby amended by striking out the  
3 words “its assets” in lines four (4) and five (5) thereof and  
4 by inserting in lieu thereof the words “the sum of its share  
5 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 end  
3 thereof the following: “Loans secured by a mortgage or deed of  
4 trust upon real property may be made only on unencumbered  
5 property located in Iowa and in bordering counties of adjacent  
6 states and every such loan shall comply with one of the  
7 following conditions:

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

12 as security.

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

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

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

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

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

4 “Reserves.

5 (1) Legal reserve. 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  
12 less than ten percent (10%) of the corporation's gross income  
13 for the year. Thereafter there shall annually be added to  
14 said reserve at the end of each fiscal year such percent of  
15 the gross earnings, but not exceeding ten percent (10%), as  
16 shall be required to maintain said reserve at ten percent  
17 (10%) of the sum of the said share and deposit account  
18 balances.

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

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

1 Sec. 19. Section five hundred thirty-three point  
2 eighteen (533.18), Code 1946, is hereby amended by striking  
3 from lines one (1) and two (2) the words “On recommendation of  
4 the directors, a credit union” and inserting in lieu thereof

5 the words "The board of directors" and is further amended by  
6 adding at the end of said section the following sentence:  
7 "At any meeting the members may establish a maximum dividend  
8 rate which shall be binding on the directors until changed  
9 at a subsequent 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 member  
4 not present at such meeting may, within the next twenty (20)  
5 days, vote in favor of dissolution by signing a statement in  
6 form approved by the superintendent of banking and such vote  
7 shall have as full force and effect as if cast at such  
8 meeting."

1 Sec. 21. All existing credit unions shall amend their  
2 bylaws to conform to these amendments not later than December  
3 first, 1947, and section eleven (11) hereof shall be put  
4 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.