

February 23, 1951.  
Banks, Building and Loan.

**House File 581**  
By NELSON of Woodbury.

Passed House, Date .....  
Vote: Ayes..... Nays.....  
Passed Senate, Date .....  
Vote: Ayes..... Nays.....  
Approved.....

## A BILL FOR

An Act to authorize the incorporation of industrial savings and loan associations which will have for their purpose the financing of buildings used for business, manufacturing, residential or agricultural purposes and be similar to and under the same supervision as provided for savings and loan associations now established for home financing.

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

1 Section 1. Corporations organized under the provisions  
2 of this chapter to promote thrift in the development of real  
3 property to be used for business, manufacturing, residential,  
4 or agricultural purposes, by providing for their members a  
5 cooperative plan for saving loans and investing money so saved  
6 in loans to their members shall be known as "Industrial  
7 Building Loan Associations" or "Industrial Savings and Loan  
8 Association".

9 The word "supervisor" as used in this chapter shall mean  
10 the supervisor of savings and loan associations provided for  
11 in this chapter.

12 "Insurance corporation" as used in this chapter shall  
13 mean the federal savings and loan insurance corporation, or

14 its successor, organized under the laws of the United States.

1     Sec. 2. When authorized by the auditor of the state of  
2 Iowa as provided in section two (2) of this chapter, ten (10)  
3 or more persons, residents of the state of Iowa, may form a  
4 corporation to be known as a savings and loan association.  
5 Such persons shall subscribe and acknowledge and submit to  
6 the auditor organization certificate in duplicate, which  
7 shall specifically state:

8     The name of which the association is to be known, which  
9 shall contain as a part thereof the words "Industrial Savings  
10 and Loan Association" or "Industrial Building and Loan  
11 Association".

12     The place where its principal office is to be located.

13     The name, occupation and place of residence of each  
14 incorporator and the number of shares for which he has  
15 subscribed.

16     The total matured value of the shares for which the  
17 incorporators have subscribed.

18     The number of the directors of the association which shall  
19 not be less than seven (7) nor more than fifteen (15), and the  
20 names of the incorporators who shall be its directors until  
21 the first (1st.) annual meeting. The incorporators named as  
22 directors must possess the qualifications of directors as to  
23 citizenship and residence.

1     Sec. 3. The incorporators shall subscribe and acknowledge  
2 and submit to the auditor proposed by-laws in duplicate,

3 which shall make provision for the following:

4 The date of regular meetings of shareholders; the notice,  
5 if any, to be given; the qualifications of voters and the manner  
6 of voting; the manner of calling special meetings; and the  
7 number of members which shall constitute a quorum. The date  
8 of the annual meeting shall be in January.

9 The number of directors, and their qualification, other  
10 than those specified in this article; their terms of office,  
11 which shall not be less than one (1) year nor more than  
12 three (3) years, and if the terms of office be more than one (1)  
13 year, the method of division into classes for the purpose of  
14 electing, as nearly as may be, an equal number of directors  
15 each year; and the removal or suspension of directors.

16 The meetings of the board of directors; its powers and  
17 duties; the appointment or election of auditors and their  
18 compensation; the appointment of appraisers and their  
19 compensation.

20 The officers; the manner of their election; their terms of  
21 office, duties and compensation; and the bonds which shall be  
22 required of officers.

23 The classes of shares which may be issued; whether they  
24 shall be issued in series or otherwise; the times when they may  
25 be issued; and their matured value.

26 The manner in which evidence of share ownership shall be  
27 issued to members.

28 The dues that shall be paid upon shares and the time of

29 their payment; the time and manner of apportioning, crediting  
30 and paying dividends.

31 The conditions upon which shares may be transferred,  
32 matured, withdrawn, retired or suspended and forfeited.

33 If a member thereof, the voting of shares in the "Savings  
34 and Loan Bank of the State of Iowa" and the nomination of a  
35 director of such bank.

36 The manner and conditions under which the by-laws may be  
37 altered or amended.

38 Such by-laws may make provision for the following:

39 The fees that may be charged, which shall be only an  
40 entrance fee not exceeding twenty-five cents (25c) a share  
41 or in lieu thereof a membership fee not exceeding one dollar  
42 (\$1.00); a transfer fee not exceeding twenty-five cents (25c)  
43 a share, or in lieu thereof a total fee not exceeding one  
44 dollar (\$1.00) on each transfer.

45 Loans and investments; the security to be taken for loans,  
46 the premium to be charged and the conditions under which loans  
47 may be paid.

48 The fines and penalties which may be imposed for failure  
49 promptly to make payments when due.

50 The interest, not to exceed six per centum (6%) per annum,  
51 that may be paid upon advance payments of dues, interest, or  
52 other charges.

1 Sec. 4. An "Industrial Savings and Loan Association" may  
2 lend its funds as hereinafter provided:

3 To its members as follows:

4 Upon their bonds secured by the transfer and pledge to the  
5 association of installment shares class one (1) having a matured  
6 value at least equal to the amount of such loans and further  
7 secured by mortgages upon real estate.

8 Upon their bonds secured by the transfer and pledge  
9 to the association of installment shares class two (2)  
10 having a matured value at least equal to the amount of  
11 such loans and further secured by mortgages upon real  
12 estate, by the terms of which the dues paid indebtedness;  
13 provided, however, that periodic payment of dues and interest  
14 shall be required on such loan in an amount sufficient to pay  
15 all interest and effect full repayment of principal within  
16 twenty (20) years. Such periodic payments shall be required  
17 not less frequently than once in each month and no mortgage  
18 contract entered into at the time of making the loan shall  
19 provide for any subsequent periodic payment in an amount  
20 greater than any previous periodic payment.

21 No loan shall be made under the provisions of this  
22 subdivision upon the security of a mortgage upon real estate  
23 located more than one hundred (100) miles from the principal  
24 office of the association, or upon real estate located within  
25 the state and more than fifty (50) miles from such principal  
26 office, or for an amount which is:

27 In excess of eighty per centum (80%) of the appraised value  
28 of such real estate; or

29 In excess of sixty per centum (60%) of the appraised value  
30 thereof, if the appraised value of the building and improvements  
31 shall not equal the appraised value of the land alone; or

32 In excess of fifty per centum (50%) of the appraised value  
33 thereof if there is no building upon such real estate suitable  
34 for residential, business, manufacturing or agricultural purposes,  
35 except that if the money loaned is to be used for erecting  
36 any such building and is to be advanced as the work progresses,  
37 the loan may be based upon the condition of the real estate  
38 when the building shall have been completed.

39 Any savings and loan association may charge a premium upon  
40 loans to its members in addition to the legal rate of interest.

41 Such premium shall be paid by the borrower:

42 In installments, as nearly equal as may be, payable at the  
43 time of the stipulated payments of interest, and in addition  
44 to such interest, in which event the total of the interest and  
45 premium shall not exceed eight per centum (8%) per annum upon  
46 the sum actually loaned; or

47 As a gross premium or service charge in one (1) sum  
48 deducted from the amount of the loan or included in the amount  
49 of the mortgage, in which event the gross premium or service  
50 charge shall not exceed two per centum (2%) of the matured  
51 value of the shares transferred and pledged as collateral  
52 security.

53 Any bonds, mortgages or notes taken by any such association  
54 from its members under the provisions of this subdivision shall

55 be deemed to be conditioned upon the provisions of this article  
56 and the by-laws of the association relating to the payment of  
57 loans, premium, interest, dues, fees and fines, although the  
58 same may not be fully expressed therein.

59 To its members upon their notes secured by the transfer  
60 and pledge to the association of shares, the withdrawal value  
61 of which shall exceed the amount of any such loan and all  
62 charges that may accrue for a period of six (6) months upon such  
63 loan and upon the shares so transferred and pledged.

64 If at any time such association has funds in excess of  
65 the amount needed for loans to its members:

66 To other savings and loan associations.

67 Upon bonds and mortgages upon real estate:

68 Situated in this state, to the extent of sixty per centum  
69 (60%) of the appraised value thereof, if such real estate  
70 has a building thereon suitable for business, manufacturing,  
71 residential or agricultural purposes, or to the extent of  
72 sixty-six and two-thirds per centum (66 $\frac{2}{3}$ %) of the appraised  
73 value thereof, if such real estate is improved by a building  
74 or buildings, all or the major portion of which is used, or in  
75 the case of a building under construction is to be used, for  
76 nontransient residential purposes.

77 Situated in the state of Iowa and within fifty (50) miles  
78 of the principal office of the association, to the extent of  
79 sixty per centum (60%) of the appraised value thereof: provided  
80 there is located thereon a building or buildings, and that the

81 appraised value of such building or buildings suitable for  
82 business, manufacturing, residential, or agricultural purposes,  
83 shall be at least equal to the appraised value of the land alone.

84 Situated in this state, or in any adjoining state and  
85 within fifty (50) miles of the principal cities of the association,  
86 which the federal housing administrator has insured or has made  
87 a commitment to insure and receive and hold such debentures  
88 as were issued by the federal housing administrator in payment  
89 of such insurance. Paragraphs (a) and (b) of section two  
90 hundred one (201), chapter eight hundred forty-seven (847), Laws  
91 of the Seventy-third Congress of the United States, as amended, shall  
92 not apply to savings and loan associations.

93 No loan shall be made under the provisions of this section  
94 upon the security of a mortgage;

95 Which is not a first lien upon the property described  
96 therein, unless all prior mortgages, liens or encumbrances  
97 thereon are owned by such association; and no such prior  
98 mortgage, lien or encumbrance shall be sold, transferred or  
99 assigned by such association until every subsequent mortgage,  
100 lien or encumbrance owned by it shall have been fully paid and  
101 satisfied;

102 Except upon the written and signed certificate of two or  
103 more appraisers appointed by the board of directors, stating  
104 they have examined the real estate described in such mortgage  
105 and certifying to the value of the premises according to their  
106 judgment. Such certificates shall show separably the value

107 of the land and the value of the improvements, and of the  
108 building or buildings erected thereon. Such certificates shall  
109 be filed and preserved among the records of the association  
110 and any member shall have access thereto;

111 Upon real estate upon which there is no building suitable  
112 for business, manufacturing, residential, or agricultural purposes,  
113 if the total of such loans made by the association, together  
114 with the value of such real estate owned by the association,  
115 exceeds, or by the taking of such mortgage will exceed, fifteen  
116 per centum (15%) of its capital.

117 Every mortgage and every assignment of a mortgage taken by  
118 any savings and loan association shall be immediately recorded  
119 or registered in the office of the proper recording officer of  
120 the county in which the real estate described in such mortgage  
121 is located.

122 Any savings and loan association may require either single  
123 premium reducing term, monthly premium reducing term, or fully  
124 paid-up life insurance to be assigned to it by any borrower.

125 When directed by the written order of a borrower, the cost of  
126 such insurance may be advanced and paid by the association.

127 All such payments may be added to the unpaid balance of the  
128 loans.

1 Sec. 5. Sections five hundred thirty-four point ten  
2 (534.10) to five hundred thirty-four point twenty-four (534.24)  
3 inclusive and sections five hundred thirty-four point twenty-six  
4 (534.26) to five hundred thirty-four point thirty-one (534.31)

5 inclusive and sections five hundred thirty-four point thirty-  
6 three (534.33) to five hundred thirty-four point one hundred  
7 ten (534.110), Code 1950, shall apply to industrial building  
8 and loan associations organized under this chapter.

#### EXPLANATION OF H. F. 581

This bill provides for an Act to permit the establishment of Industrial Building and Loan Associations which may make mortgage loans on real property used for business, manufacturing, residential or agricultural purposes.

This new enabling legislation, which might commonly be referred to as the "Industrial Savings and Loan Associations Act," would (1) assist in the financing of buildings for industry, manufacturers or distributors, (2) aid in constructing and financing buildings for agricultural purposes, and (3) financing other commercial requirements.

This will be of particular value to the smaller cities which do not usually enjoy the benefits of business property loans from the large national corporations who usually restrict their commitments to large industrial centers.

In enacting legislation of this type, Iowa would be following the precedent already established by the State of New York and other states. The Act would embody the same state inspection and supervision as provided in the present Savings and Loan Chapter.