June 28, 2017

To: THE CHIEF EXECUTIVE OFFICER OF THE STATE-CHARTERED BANK ADDRESSED

Re: Recent changes in Iowa law

The Iowa legislature passed several bills during the 2017 legislative session that affect Iowa banks and other entities regulated by the Iowa Division of Banking. This memo summarizes the effects of each bill as they relate to Iowa banks or other regulated entities.

- **Consumer Lending** (SF 502 & SF 503): These bills make several changes to the Iowa Consumer Credit Code (ICCC) as discussed below.
  
  o Exempts banks and credit unions from the rebate upon prepayment provisions of Iowa Code section 537.2510. This means that banks will no longer have to rebate certain fees (e.g., doc fees) that are not listed as “additional charges” in the ICCC upon prepayment, although these fees must still be included when calculating the finance charge. Banks will also no longer be able to collect the $5 or $7.50 minimum prepayment charges otherwise authorized by Iowa Code section 537.2510(3).

  o Authorizes the parties to an interest-bearing consumer loan to agree to defer an installment and authorizes the lender to collect a deferral charge of up to $30 per deferred installment. Previously these deferral charges were permissible only in connection with precomputed consumer loans.

  o Increases the permissible delinquency charge on consumer loans to $30.

  o Authorizes lenders to pass the cost of credit reports on to borrowers.

  o Changes the permissible over-limit charge on a creditor-issued credit card by linking it to the amount authorized by federal regulations.

  o Changes the permissible fee for a dishonored check to correspond to the UCC (Iowa Code section 554.3512).
- Increases the fines for violations of the ICCC.
- Specifies that a supervised loan made by a person who needs a license but does not have one—like an unlicensed online lender—is unenforceable.

- **Reg. O** (SF 502): This bill makes several amendments to the Iowa Banking Act intended to harmonize Iowa law and federal law on these points. In general, the bill accomplishes this by repealing provisions of Iowa law that differ from the provisions of Reg. O and giving the Superintendent the authority to enforce federal banking laws and regulations. The changes are described below.
  - Authorizes the Superintendent of Banking to enforce federal laws and regulations relating to banking, including Reg. O.
  - Synchronizes Iowa law regarding a bank paying overdrafts for directors or executive officers with the overdraft provisions of Reg. O, which the IDOB will now enforce.
  - Synchronizes Iowa law regarding loans to directors and executive officers with the insider lending provisions of Reg. O, which the IDOB will now enforce.
  - Permits banks to waive “ordinary or customary charges related to deposit accounts” of directors and executive officers. Examples would include giving free checking or unlimited ATM usage.
  - Specifies that officers and directors of a bank holding company are considered officers and directors of the bank for purposes of Iowa law and Reg. O.
  - Specifies that directors and executive officers are subject to penalties under Iowa law for violations of Reg. O’s overdraft provisions or for loans that violate Reg. O’s insider lending provisions.

- **First-time Homebuyer Accounts** (SF 505): This bill creates a special type of savings account for individuals and married couples saving up to purchase their first home. Deposits into these accounts are tax deductible up to $2,000/year ($4,000/year for couples), for up to 10 years. Banks and credit unions will not be required to designate these accounts in any special way, to verify the purpose or use of the deposits, or to report any information to the state regarding these accounts.

- **Real Estate Brokers & Salespeople** (HF 541): This bill makes a variety of changes to the statute dealing with realtors. These changes include: revising trust account language to permit funds to be held in any federally-insured depository institution; relaxing the statutory bar to licensure for minor (non-indictable) misdemeanors; revising the information the Real Estate Commission may request from applicants to exclude minor (non-indictable) misdemeanors; relaxing the “three-strikes” automatic revocation from a 5-year to a 3-year period; permitting designated brokers to supervise multiple offices; and requiring brokers to notify the principal that the broker is acting as agent while eliminating the requirement that brokers disclose the agency relationship to people other than the principal being represented.
• **CPA Firm Mobility** (SF 237): This bill enables firm mobility for CPA firms operating in multiple states. Individual CPAs authorized to practice in other states already enjoy similar mobility, so this bill gives CPA firms the same ability to operate in Iowa without being headquartered here.

• **Architect Licensing and Registration** (SF 408): This bill deletes references to registration in Iowa Code chapter 544A. All architects in Iowa will now be licensed, and all architects already registered in Iowa will be considered licensed.

All of the above changes will be effective July 1, 2017.

Sincerely,

Ronald L. Hansen  
Superintendent of Banking