

## The 2017 Session Wrap Up Legislation of Importance to Iowa's Credit Unions

Thank you for your tremendous support during the 2017 state legislative session. As always, it is extremely important for state legislators to hear from local credit union advocates and this year was no exception. Whether you attended the annual Legislative Conference, a Capitol Hill Day or responded to a “call to action” on a credit union issue, every type of engagement with an elected official played a role in our legislative success. [Click here](#) to view a video that highlights the grassroots efforts during session. Because of you, Iowa's credit unions are able to continue to focus on our number one priority - improving the financial lives of consumers.

This was a successful legislative year for Iowa's credit unions. The Iowa Credit Union League (ICUL) advocated for several important policy bills, including two that will have a significant impact on Iowa credit union operations. Senate File 502 is a bill that will modernize the fee structure in the Iowa Consumer Credit Code (ICCC) and, in addition, allow for employees and directors to utilize the overdraft protection programs at their own credit union. Senate File 503 is a bill that provides clarity on the ability of credit unions to provide “skip-a-pay” programs to their members. This legislation was particularly urgent, given the Attorney General's advisory opinion last fall that created uncertainty around those programs. Additional information is provided below regarding these bills, both of which passed the Iowa House and Iowa Senate with overwhelming bipartisan majorities.

Advocate outreach in 2017 was greatly enhanced by the ICUL's new “Credit Union Champions” program, which currently is comprised of leaders from nearly two dozen credit unions. This session, advocates focused on in-district advocacy, meeting with legislators at town halls and other meetings in their home districts. Champions and their credit union colleagues had more than 200 unique in-district contacts – providing legislators a first-hand, local perspective on important credit union issues. Those contacts made a difference, and we look forward to increasing the credit union “in-district” presence as we move forward with the Champions program.

Important policy issues related to the financial services industry were taken up by the legislature in 2017. The summary below is divided into four sections: 1) priority credit union bills, 2) bills that were signed into law, 3) bills that did not become law (limited to those most relevant to credit unions), 4) re-appointments to the Credit Union Review Board and 5) Credit Union Division Budget and Full-time Equivalent Employees.

Please feel free to e-mail [Jon Murphy](#) or call 1-800-860-6180 (x8956) if you have any questions regarding the legislative session or other ICUL government affairs activities.

## Priority Credit Union Bills Signed by the Governor

### [Senate File 503 – Providing Clarity on “Skip Pay” Programs](#)

This bill, which was the top legislative priority for ICUL in 2017, provides clarity on the ability of credit unions and other lenders to offer a deferred payment or “skip pay” programs on closed-end, simple interest consumer loans to their members and customers. The bill sets a cap on the fee that can be charged for this program at \$30. The bill was originally drafted in response to an informal opinion issued by the Iowa Attorney General’s office that provided that, although these programs are permissible, they may be considered a re-financing and, therefore, subject to considerable disclosure requirements. ICUL worked with the Iowa Attorney General’s office, the Iowa Bankers Association, the Iowa Community Bankers Association and other interested parties to craft the bill that ultimately passed the House and Senate with overwhelming majorities. This bill takes effect on July 1, 2017.

[Click here](#) for an in-depth Q&A on this legislation from PolicyWorks.

### [Senate File 502 – Iowa Consumer Credit Code Modernization](#)

This bill represents the first substantive updates and modernization to the fee and penalty provisions of the Iowa Consumer Credit Code (ICCC) in more than 40 years. The legislation is a result of compromises reached between ICUL, the Iowa Bankers Association and the Iowa Attorney General’s office. It provides for the following:

Updates the ICCC fee structure in the following areas:

- Indexes and increases the over-limit credit card fee from \$15 to federal law (currently \$27).
- Increases the fee that can be charged for late payment on closed-end and open-end consumer loans from \$15 to \$30.
- Allows for a return check fee of \$30 when a person makes a loan payment from another financial institution and the check is returned unpaid.
- Allows for a charge associated with cost of obtaining a consumer credit report.
- Allows for a lender to keep the documentation fee on a closed end consumer loan that is paid off early. This fee was formerly subject to rebate.

Updates the ICCC penalty structure in following areas:

- Raises the range of potential remedies awarded for a consumer’s private right of action for violations of the consumer credit code, along with violations of disclosure provisions, from \$100 to \$1,000, to now \$200 to \$2,000.
- Raises the civil penalty the Attorney General may recover against a creditor for intentionally violating the ICCC from no more than \$5,000 to no more than \$10,000.
- Raises the annual notification fee for credit sellers and debt collectors from \$10 to \$50.
- Increases the allowable charge for late filing by these credit sellers and debt collectors from \$20 to \$75.

Provides regulatory relief to credit unions:

- Allows for credit union directors and employees to participate in their credit union's overdraft protection programs. The overdraft program for directors and employees is subject to rules written by the Superintendent of Credit unions and is effective upon the finalization of the rules. PolicyWorks will provide additional information regarding implementation once the rules have been finalized.

[Click here](#) for an in-depth Q&A on this legislation from PolicyWorks.

### **Senate File 409 – Credit Union Division Bill**

The Iowa Credit Union Division submitted a bill of limited scope for legislative consideration this session. The bill unanimously passed both the Iowa House and the Iowa Senate. The two main provisions of the bill:

- Underscore that exam information is the exclusive property of the Credit Union Division, and provides for a process by which the Division can share exam information, via a confidentiality agreement, with a third party (like a potential merger partner or critical vendor) and;
- Provide for the ability of the Superintendent to call a meeting of a credit union board unrelated to the examination process. This is already permitted, this provision moves the language to another section within Chapter 533 of the Iowa Code.

### **Bills Signed into Law**

#### **Senate File 333 – Fiduciary Access to Financial Information**

This bill creates the framework by which the fiduciary of a deceased person can manage and distribute the digital assets (i.e. online accounts, documents, photo albums, social media accounts, web sites, domain names, etc.) of that person. This bill aligns state law with federal law in this area.

#### **Senate File 413 – Statute of Repose**

This bill shortens the time frame in which a lawsuit based on negligent work (“statute of repose”) may be brought on an improvement made to a home or business. The legislation reduces the period of time from 15 years to eight years for a residential property, and 15 years to 10 years for a business.

#### **Senate File 505 – First Time Homebuyer Savings Accounts**

This bill creates the ability of first time homebuyers to contribute to an account, tax-free, up to \$4,000 for a married couple, and \$2,000 for an individual. A first-time homebuyer savings account is an interest-bearing savings account established with a state or federally-chartered credit union, bank, or savings and loan association in Iowa. This program will apply to any lowan, regardless of income, that has not owned a home either as an individual or jointly with another person within the previous three years. The money within an account is available for up to 10 years, and can only be used for the purchase of a single-family home. The home buyer is subject to a penalty if the

funds are not used in a 10-year period or is withdrawn early for a purchase of something other than a single family home. Compliance with the law, including the designation and reporting of the account, is the complete responsibility of the prospective home buyer (Section 541B.5 of the law provides language relieving financial institutions of compliance responsibilities). The credit union does not need to establish a “first time home buyers saving account” in their system.

### **House File 586 – Mechanic’s Liens Registry Improvements**

This bill requires that general contractors post a notice with the Iowa Secretary of State as a condition to filing a mechanic’s lien on residential property. The legislation clarifies previous code language that had been interpreted to say that only general contractors who used subcontractors were required to provide such a notice. The bill provides that the notice shall be posted by the general contractor no later than 10 days from the commencement of the work on the project. The posted notice is important to assuring a clear title is preserved for a new homeowner.

### **Senate File 516 (Section 23) – Secretary of State Technology Upgrades**

During ICUL’s 2017 Legislative and Regulatory Issues Conference, Iowa Secretary of State Paul Pate provided information to attendees about the severely out-of-date technology utilized for the operations of his office. Section 23 of Senate File 516 (the “Standings” Appropriations bill) establishes a technology modernization fund to provide upgrades to SoS’s technology infrastructure, including business filings. The Secretary of State is provided the authority to increase filing fees and deposit those fees, up to two million dollars annually, in a technology modernization fund. To see the current filing fees, [click here](#).

### **House File 371 – Costs and Fees Associated with Quitclaim Deeds**

A quitclaim deed is a legal instrument that is used to transfer interest in real property in which the current deed holder has an adversarial relationship with the party that seeks to acquire the property. This bill addresses the court cost and fees related to executing those transfers, raising the amount provided to the person who holds the deed (and must respond to the quitclaim demand) from \$1.25 to \$50.

### **House File 478 – Property Assessment Appeal Board Sunset**

This bill strikes the future repeal date of the Property Assessment Appeal Board (PAAB), indefinitely extending the PAAB’s operations. Aside from extending its operations, the intention of this legislation is to “level the playing field” between the assessor and the property owner, placing an increased burden of proof in a valuation dispute on the assessor rather than the property owner.

### **House File 541 – Real Estate Licensing Requirements**

This is a comprehensive bill regarding the licensing and oversight requirement for real estate brokers. Section 543B.46 of the bill amends the current requirement for real estate brokers to hold a trust account optional, and only applicable to those who are “in the practice of depositing funds in a trust account.”

## **Proposed Bills Not Signed Into Law**

### **Senate File 141 – Employee Payment by Debit Card**

This bill would provide the opportunity for an employee to voluntarily elect to be paid by debit card. The employee would be able to use the card to withdraw the funds at no cost at least once per pay period, but no more than once per week, as long as the withdrawal took place at the employee's financial institution.

### **Senate File 216 – “Delayed Deposit” Regulations**

This bill caps the annual percentage rate of delayed deposit (“payday”) loans at 36 percent. The bill also sets parameters around the number of times a person may receive a payday loan from an individual lender. This bill would also require payday lenders to offer a borrower the option of entering into a repayment plan before entering into debt collection proceedings. The bill states that, as long as the borrower is making payments under the plan, the debt cannot be considered past due.

### **Senate File 272 – Higher Education Bank**

This bill seeks to create a higher education state bank, operated by the State Treasurer of Iowa. The bank would operate as a revolving fund and receive capital from several sources, including the elimination of federal deductibility from high income (\$375,000/single, \$750,000/married) Iowans. The primary function of the bank would be to provide loans to Iowans seeking higher education, with a fixed interest rate of one percent.

### **Senate File 283 – Administration and Servicing of Federal Student Loans**

This bill would prohibit certain entities from administering or servicing federal student loans if the rate charged was more than the prime rate plus two percent. Those entities include public and private postsecondary institutions, and student loan servicers that contract with the United States Department of Education, provide customer service for federal educational loans held by other lenders or purchase federal educational loans from other lenders.

### **Senate File 398 – Electronic Wage Statements**

This bill allows for employers to provide wage statements to employees by secure electronic means. Current law allows for hard copies and statements to be available at the workplace.

### **Senate File 476 – Waiving Fees for Co-owners of Motor Vehicles**

Current law allows the DOT to waive the fee related to re-issuing a vehicle title to the surviving spouse of a deceased person. This bill provides those who are co-owners of a vehicle with a person who has passed away to have that same fee waived. The current fee for re-issuing a vehicle title is \$25.

### **House File 1 – Five-Year Review of Government Programs.**

House File 1 is a bill designed to provide more accountability and oversight into existing government programs. The bill calls for a two-year process of establishing a cycle for reviewing

programs and implementing a five-year “sunset” on all programs. The purpose of the legislation is to provide legislators an opportunity to thoroughly review every program of state government and either allow those programs to move forward, make changes or “sunset” them.

### [House File 28 – Financial Literacy Classes in Iowa Schools](#)

This bill calls for a one-half unit of financial literacy education to be added to the current public school curriculum.

### [House File 135 – Power of Attorney on Real Property](#)

This bill provides a person who has been granted power of attorney the ability to relinquish all rights regarding real property of the person for which they have POA.

### [House File 494 – Wire Transfer Surcharge](#)

The bill seeks to place a one percent surcharge on individuals sending wire transfers. The surcharge is to be collected and remitted to the state by a licensed transfer agent (like Western Union). Senders with a valid Social Security Number can claim the surcharge as a tax credit by individuals with a valid SSN or tax ID number. Those who do not have a valid SSN or ID number will forfeit the surcharge, the funds of which will fund state drug enforcement activities. The bill specifically exempts state- and federally-chartered credit unions and banks.

### [House File 604 – Motor Vehicle Insurance Verification](#)

This bill establishes a motor vehicle insurance verification program to be administered by the Department of Transportation (DOT). The DOT would be required to contract with a third party to act as the DOT’s designated agent for administration of the program and establish a vehicle insurance database. Among several penalties, if database records show that a registered motor vehicle is not covered under an owner’s policy of liability insurance for three consecutive months, the owner will receive a notice to provide proof of insurance. If the owner fails to respond to first or second notices, the owner’s motor vehicle registration must be suspended by the DOT and the owner is required to surrender the registration plates and registration receipt for the vehicle to the county treasurer.

### [House File 652 – Capping the Aggregate Amount of Tax Credit Expenditures](#)

This bill seeks to cap the aggregate amount of tax credits available in the state to \$400 million, and then reduces that number by \$10 million annually until the total reaches \$370 million. The legislation was offered by House Appropriations Chairman Pat Grassley. The bill passed the full House Appropriations Committee and was assigned to the House Ways and Means Committee for consideration. It is expected to be re-considered in the 2018 legislative session.

### [Senate Resolution 1 – Urging Congress to Reinstate Glass-Steagall](#)

This resolution asked Congress to re-instate the provisions of the federal Glass-Steagall Act, which limited the ability of banks to be involved multiple areas of financial services. Congress repealed Glass-Steagall in 1999 as part of Gramm-Leach-Bliley.

## House Study Bill 189 – Flexible Credit Lenders

This bill creates a new Iowa Code chapter to require licensure of persons who wish to provide “flexible credit loans” to Iowa residents. The bill defines “flexible credit loan” to mean a loan for a personal, family or household purpose, is not more than \$2,500, is unsecured, is payable in substantially equal installment payments of principal and interest for the term of the loan, is subject to prepayment in whole or in part at any time without penalty, and is for a term length of a maximum of 24 months. The bill provides for administration of flexible lenders to the Superintendent of the Banking and established fees for applicants and penalties for violators of the code.

## **APPOINTMENTS TO THE CREDIT UNION REVIEW BOARD**

The Iowa Senate confirmed one member to the Credit Union Review Board during the 2017 legislative session. Janet Pepper of Des Moines was re-appointed to a public member term on the board and was confirmed unanimously.

## **CREDIT UNION DIVISION BUDGET BILL—Budget and FTEs**

The Division was provided approximately \$1.87 million in budget authority for State Fiscal Year 2018, similar to the previous year. The number of full-time equivalent employees (FTEs) is 14.