

NEW IOWA RIFT LAW

HF 2366

Iowa charities often experience tremendous headaches and delays trying to receive their rightful payment when a generous Iowan dies and names the charity as a beneficiary of his/her IRA or other accounts.

Several of the large brokerage firms take an average of 1-3 years to pay the charity when it should only take 30 days. One Iowa charity had to resubmit their paperwork 8 different times – each time the brokerage firm would ask for different forms than the ones they originally asked for. Other charities have been frustrated by how many times the brokerage firm “loses” their paperwork – forcing the charity to start the paperwork process all over again from scratch. Another charity called to inquire about the process and was placed on hold for 8 straight hours.

You might wonder what kind of impact this has on Iowa charities. Here are some examples:

- The brokerage firms often refuse to tell the charity the amount of their claim ahead of time. One charity went through the whole paperwork debacle and after several years received its check for just 10¢! Had the charity been told up front the amount of the claim, they never would have spent several years trying to fill out the forms.
- One educational institution said it could have given out 2-3 full-ride scholarships for underserved students from the lost interest in the time it took to get just one claim paid.
- Another charity waited over 6 years to get paid.
- Some brokerage firms charge multiple (yet often nondisclosed) fees for opening/closing accounts – using this practice as a way to generate fees off the backs of innocent Iowa charities.

The problematic brokerage firms ask charities to complete 50 or more pages of forms and—to make matters worse—they want personal, private, and sensitive information on an employee of the charity before they will pay the claim as they force the charity to first become their new customer before they'll ever pay the claim. Through half-truths and other misleading excuses, they claim personal information is required. Yet no law requires the charity to become a new customer first to pay a death claim.

Charities need help to push back against these brokerage firms who are using this paperwork nightmare as a way to keep the funds from the charity as long as possible. No one is disputing the brokerage firms' right to make a profit. But when it becomes a draconian process—serving to break the financial backs of Iowa's beloved charities—that is wrong and these deceptive business practices must stop.

Thankfully, Iowa is now a leader—being the first in the nation to enact legislation on May 3, 2024 to help Iowa charities push back against these brokerage firms. Not only is Iowa a leader, but this legislation can serve as model legislation for other states as well as nationally. See [House File 2366](#).