



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2017 Wisconsin Act 340
[2017 Assembly Bill 822]

**Laws Relating to Financial
Institutions**

As described below, 2017 Wisconsin Act 340 makes numerous changes to the law applicable to financial institutions, including changes relating to: disclosure of information to the Federal Home Loan Bank (FHLB); reliance on third-party information in the examination of financial institutions; limits on savings bank lending to a single person; payment of interest on mandatory mortgage loan escrow accounts; security for public deposits; capital reduction by state banks; the definition of an outside sales person for overtime pay requirements; and the treatment of the FHLB in insurance company liquidation proceedings.

DISCLOSURE OF INFORMATION TO THE FHLB

The Act allows the Department of Financial Institution's Division of Banking (division) or the Office of Credit Unions (OCU) to furnish reports and other supervisory information to the FHLB, if the FHLB agrees to treat the information confidentially. Under prior law, subject to certain exceptions, the division or OCU must maintain the confidentiality of their examination information and reports.

THIRD-PARTY EXAMINATION OF FINANCIAL INSTITUTIONS

In conducting periodic examinations, the Act authorizes the division and OCU to accept and rely on information collected by other agencies or independent third parties in determining whether a financial institution has satisfied any requirement that is part of the examination.

LIMITS ON SAVINGS BANK LENDING

Under prior law, a savings bank may lend to a single person an amount equal to no more than 15% of its capital. The Act increases this limit to 20% of the savings bank's capital.

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.wisconsin.gov>.

PAYMENT OF INTEREST ON MANDATORY ESCROW ACCOUNTS

Under prior law, a financial institution or mortgage banker that originates a residential mortgage loan with a mandatory escrow requirement must pay interest on the outstanding principal balance of the escrow account. The Act repeals this requirement for loans originated on or after the effective date of the Act.

SECURITY FOR PUBLIC DEPOSITS

State law authorizes a public depositor (generally, the investment board, counties, municipalities, and other local units of government) to require a public depository (generally, a bank, savings and loan, or credit union) to provide security for the repayment of deposits made by the public depositor. The Act authorizes an irrevocable letter of credit as an additional form of security that may be provided by a public depository.

CAPITAL REDUCTION BY STATE BANKS

The Act authorizes a state bank, subject to approval by the division, to reduce its capital following the affirmative vote of shareholders owning two-thirds of its capital stock. Additionally, subject to approval by the division, the Act allows a state bank to distribute cash and other assets to its shareholders following the affirmative vote of shareholders owning at least two-thirds of the shares of each class of its stock outstanding.

DEFINITION OF OUTSIDE SALESPERSON

Act 340 modifies administrative rules of the Department of Workforce Development (DWD) to conform the state exemption from overtime pay for outside salespersons to the definition of the related exemption under federal law.

INSURANCE COMPANY LIQUIDATION PROCEEDINGS

With regard to insurance company liquidation proceedings, the Act addresses the role and powers of the FHLB in such proceedings. In particular, the Act prescribes a process under which a court may impose a 10-day stay on the FHLB. The Act also specifies certain activities the FHLB must conduct during that time, including: (1) development of a process and timeline through which the FHLB would release excess collateral of an insurance company held by the bank; (2) provision for the payment of fees owed by an insurance company member of the FHLB; and (3) provision for the redemption or repurchase of excess FHLB stock held by an insurance company. The receiver may also request the FHLB to provide options for an insurer-member to renew or restructure an advance. If the FHLB does not comply with the requirements imposed by a court during the initial 10-day stay, the stay may be extended until compliance is achieved.

Effective date: Generally, Act 340 took effect on April 18, 2018. The provisions of the Act relating to DWD rules take effect May 1, 2018.

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May 1, 2018

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