

S-L 4

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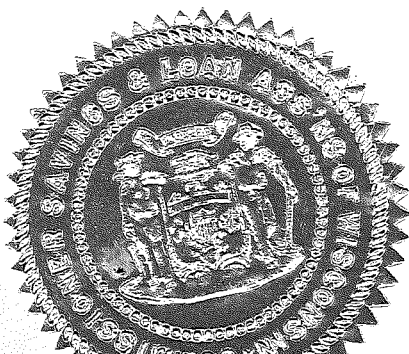
STATE OF WISCONSIN)
 DEPARTMENT OF SAVINGS AND LOAN) SS

I, R. J. WINKOWSKI, Commissioner of Savings and Loan Associations and custodian of the official records of the Savings and Loan Department, do hereby certify that the annexed SECTION S-L 4.10, "PARTICIPATION LOANS", DEPARTMENTAL RULES OF THE SAVINGS AND LOAN DEPARTMENT, WISCONSIN ADMINISTRATIVE CODE, was adopted by the Commissioner on August 17, 1961, and approved by the Savings and Loan Advisory Committee on August 17, 1961, after a public hearing held on August 17, 1961.

I further certify that publication of SECTION S-L 4.10, DEPARTMENTAL RULES OF THE SAVINGS AND LOAN DEPARTMENT, WISCONSIN ADMINISTRATIVE CODE, will be made in the WISCONSIN REGISTER of September, 1961, and that said rule will become effective on October 1, 1961.

I further certify that said copy has been compared by me with the original on file in this Department and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Department at the State Office Building, in the City of Madison, this 17th day of August, A.D., 1961.



R. J. Winkowski
 R. J. Winkowski

SAVINGS AND LOAN DEPARTMENT
STATE OF WISCONSIN

ORDER NO. 42

IN THE MATTER of prescribing rules and regulations, pursuant to authority contained in Section 215.52 (3), Wisconsin Statutes, for conducting the business of Savings and Loan Associations operating under Chapter 215, Wisconsin Statutes.

WHEREAS, The Commissioner of Savings and Loan Associations finds it necessary to create a new section of Chapter 4 of the Rules of the Savings and Loan Department, Wisconsin Administrative Code, Section S-L 4.10, due to changes and new developments of general business practices,

NOW, THEREFORE, IT IS ORDERED:

That Section S-L 4.10, "PARTICIPATION LOANS" be created to read as:

S-L 4.10 PARTICIPATION LOANS. (1) DEFINITIONS. The definitions in this section apply unless the context clearly indicates otherwise. That is to say:

(A) "Federal Savings and Loan Association" means a savings and loan association organized pursuant to an act of Congress, entitled, "Home Owners Loan Act of 1933."

(B) "Insured Bank" means a banking institution whose deposits are insured by the Federal Deposit Insurance Corporation.

(C) "Insured, State-Chartered Savings and Loan Association" means a savings and loan association organized under Chap. 215, Wis. Stats., whose members' share accounts are insured by the Federal Savings and Loan Insurance Corporation.

(D) "Lenders" means:

1. Federal savings and loan associations
2. Insured banks

3. Insurance companies licensed to do business in this state
4. Insured, state-chartered savings and loan associations
5. Non-insured, state-chartered savings and loan associations
6. Other instrumentalities or corporations owned wholly or in part by this state or the United States.
7. Tax exempt organizations operating under subsection (a) of Section 501 of the Internal Revenue Code as now or hereafter in effect.

(E) "Non-insured, state-chartered savings and loan association" means a savings and loan association organized under Chap. 215, Wis. Stats., whose members' share accounts are not insured by the Federal Savings and Loan Insurance Corporation.

(F) "Originating Association" means a savings and loan association that has made a mortgage loan on improved real estate situated in Wisconsin and sold a participating interest therein to a lender as defined in subsection (1) - (D) above.

(G) "Originating Lender" means a lender, as defined in subsection (1) - (D) above, that has made a mortgage loan on improved real estate situated in Wisconsin and sold a participating interest therein to another lender.

(H) "Participation Loan" means a mortgage loan secured by improved real estate situated in Wisconsin, originated by a lender as defined in subsection (1) - (D) above, of which a participating interest has been sold to another lender, as defined in subsection (1) - (D) above, under the terms of a participation loan agreement and evidenced by a participation loan certificate.

(I) "Purchasing Association" means a savings and loan association that has purchased a participating interest in a mortgage loan on improved real estate situated in Wisconsin, from a lender defined in subsection (1) - (D) above.

(J) "Purchasing Lender" means a lender, as defined in subsection (1) - (D) above, that has purchased a participating interest in a mortgage loan on improved real estate, situated in Wisconsin, from a lender defined in subsection (1) - (D) above.

(2) INSURED, STATE-CHARTERED SAVINGS AND LOAN ASSOCIATIONS .

(A) In addition to complying with provisions, restrictions and requirements of subsections 215.22 (1) to (10) inclusive, 215.23 and 215.235, Wis. Stats., and Chap. S-L 4 of the Wis. Adm. Code, all insured, state-chartered savings and loan associations must comply with the requirements of Sections 563.9-1 and 563.9-2 of the Rules and Regulations for Insurance of Accounts.

(B) Any insured, state-chartered savings and loan association may originate a mortgage loan, secured by any type of improved real estate, situated in Wisconsin and within its 50 mile lending area, and sell a participating interest therein, without prior approval of the Federal Savings and Loan Insurance Corporation, to:

1. An insured, state-chartered savings and loan association
2. A federal savings and loan association
3. An insured bank
4. A tax-exempt organization operating under subsection (a) of Sec. 501 of the Internal Revenue Code as now or hereafter in effect

(C) Any insured, state-chartered savings and loan association may originate a mortgage loan, secured by any type of improved real estate, situated in Wisconsin and within its 50 mile lending area, and sell a participating interest therein with prior approval of the Federal Savings and Loan Insurance Corporation to:

1. Insurance companies licensed to do business in this state
2. Non-insured, state-chartered savings and loan associations
3. An instrumentality or corporation owned wholly or in part by this state or the United States

(D) Any insured, state-chartered savings and loan association may purchase a participating interest in a mortgage loan, secured by any type of improved real estate, situated in Wisconsin and within its 50 mile lending area from any lender as defined in subsection (1) - (D) above.

(E) Any insured, state-chartered savings and loan association may purchase a participating interest in a mortgage loan, secured by residential type of improved real estate for not more than four families, situated in Wisconsin, but outside of its 50 mile

lending area only from an insured, state-chartered savings and loan association or a federal savings and loan association.

(3) NON-INSURED, STATE-CHARTERED SAVINGS AND LOAN ASSOCIATIONS.

(A) Any non-insured, state-chartered savings and loan association may originate a mortgage loan, secured by any type of improved real estate, situated in Wisconsin and within its 50 mile lending area, and sell a participating interest therein to any lender as defined in subsection (1) - (D) above.

(B) Any non-insured, state-chartered savings and loan association may purchase a participating interest in a mortgage loan, secured by any type of improved real estate, situated in Wisconsin and within its 50 mile lending area from:

1. A non-insured, state-chartered savings and loan association
2. An insured bank
3. An insurance company licensed to do business in this state
4. A tax-exempt organization operating under subsection (a) of Sec. 501 of the Internal Revenue Code, as now or hereafter in effect
5. An instrumentality or corporation owned wholly or in part by this state or the United States

(C) Any non-insured, state-chartered savings and loan association may purchase a participating interest in a mortgage loan, secured by any type of improved real estate, situated in Wisconsin and within its 50 mile lending area from an insured, state-chartered savings and loan association or a federal savings and loan association, provided that the originating association obtained prior approval for such sale from the Federal Savings and Loan Insurance Corporation.

(D) Any non-insured, state-chartered savings and loan association may purchase a participating interest in a mortgage loan, secured by any type of improved real estate, situated in Wisconsin and beyond its 50 mile lending area from:

1. A non-insured, state-chartered savings and loan association
2. An insured bank
3. An insurance company licensed to do business in this state

4. A tax-exempt organization operating under subsection (a) of Sec. 501 of the Internal Revenue Code as now or hereafter in effect
5. An instrumentality or corporation owned wholly or in part by this state or the United States

(4) **APPLICABILITY OF OTHER STATUTORY PROVISIONS.** All mortgage loans made under the permissive authority of subsection 215.22 (11), Wis. Stats., shall also be subject to the provisions, restrictions and requirements of subsections 215.22 (1) to (10) inclusive, and 215.23 and 215.235, Wis. Stats., and Chap. S-L 4 of the Wis. Adm. Code.

(5) **OTHER REQUIREMENTS.**

(A) **RETAINAGE BY ORIGINATING LENDER.** The lender, as defined in subsection (1) - (D) above, must retain a 50% interest in any participation loan.

(B) **MAXIMUM PARTICIPATING INTEREST PURCHASED.** The maximum amount of the participating interest purchased by a single lender, as defined in subsection (1) - (D) above, cannot exceed 50% of the mortgage loan. More than one lender may purchase participating interests in a mortgage loan, but the aggregate of such participating interests purchased shall not exceed 50% of the mortgage loan.

(C) **MORTGAGE AND MORTGAGE NOTE OF PARTICIPATION LOANS.**

1. The mortgage and mortgage note of any participation loan shall contain only the name of the originating association or other originating lender as the "Mortgagee".

2. The mortgage and mortgage note of any participation loan, along with other related documents, shall be retained by the originating association or other originating lender.

(D) **PARTICIPATION LOAN AGREEMENT.** Each participation loan shall be evidenced by a participation loan agreement, executed and signed by both, the originating lender (originating association) and the purchasing lender (purchasing association). The participation loan agreement shall be in such form as determined by the attorneys of the participants concerned.

(E) **PARTICIPATION LOAN CERTIFICATE.** Each participation loan shall be evidenced by

a participation loan certificate, executed and signed by both, the originating lender (originating association) and the purchasing lender (purchasing association), and shall essentially contain the following information:

1. Identification number
2. Name of borrower
3. Address of property securing the loan
4. Appraisal value of property securing the loan
5. Original amount of loan
6. Unpaid principal balance
7. Interest rate and term of loan
8. Contractual monthly payment
9. Recording date of mortgage
10. Document number of mortgage recordation and volume and page number of records

(F) MORTGAGE LOAN DOCUMENT FILES OF ORIGINATING ASSOCIATION. To evidence the sale of a participating interest in a mortgage loan, the loan document file shall, in addition to the note, mortgage and other related papers, contain signed copies of the Participation Loan Agreement and Participation Loan Certificate of the other participant or participants.

(G) MORTGAGE LOAN DOCUMENT FILES OF PURCHASING ASSOCIATION. To evidence the purchase of a participating interest in a mortgage loan, the loan document file shall contain signed copies of the Participation Loan Agreement and the Participation Loan Certificate of the originating lender.

(6) GENERAL.


(A) The aggregate of participation loans, consisting of the retained portion of those originated and those purchased from other lenders, except G.I. and F.H.A. loans, shall not exceed 30% of an association's total assets.

(B) Any loan made for the purposes of development of vacant tracts of land into subdivided plats or lots shall not be eligible security for participation loans.

(C) The sale of a participating interest in any mortgage loan made under the permissive authority of Sec. 215.22 (11), Wis. Stats., shall be without recourse.

IT IS FURTHER ORDERED, That this Order No. 42, adopted pursuant to the provisions of Chapter 227 and Sec. 215.52 (3) of the 1959 Wisconsin Statutes, shall be in effect on the first day of the subsequent month following publication thereof by the Revisor of Statutes.

Dated this 17th day of August, 1961.



R. J. Winkowski
Commissioner

This order was approved by the Savings and Loan Advisory Committee on August 17, 1961, after a public hearing on that date.