

Chapter S-L 18

MORTGAGE LOANS

S-L 18.01	Classifications of real estate security	S-L 18.10	Loans in excess of 30% of appraised value
S-L 18.02	Maximum loan ratios to appraised values	S-L 18.11	Mortgage loans secured by improved real estate and savings accounts of savings and loan associations
S-L 18.03	Aggregate limitation of certain mortgage loan categories	S-L 18.12	Participation loans
S-L 18.04	Lending area	S-L 18.13	Subdivision loans
S-L 18.05	Approved appraisers and appraisal reports	S-L 18.14	Builders' loans secured by vacant lots
S-L 18.06	Opinions of title	S-L 18.15	FHA and GI loans
S-L 18.07	Construction loans	S-L 18.16	Other required records and documents
S-L 18.08	Renewal or extension of straight mortgage loans		
S-L 18.09	Types of real estate unacceptable as mortgage loan security		

S-L 18.01 Classifications of real estate security. The following descriptions, as used in this section, shall further classify the types of eligible real estate security generally defined in subsection 215.21 (7), Wis. Stats.:

(1) "DWELLING UNIT" means a single unified combination of rooms designed for residential use by one family.

(2) "SINGLE FAMILY DWELLING" means: (a) Real estate upon which is located a structure designed for residential use by one family, or

(b) An individually owned unit designed for residential use by one family in a multiple-unit structure, the owner of which unit owns an undivided interest in the underlying real estate and the common elements of such structure. The term, "Common Elements," includes supporting walls, hallways, stairways, elevators and such other facilities as are necessary to the use and enjoyment of an individual unit.

(3) "HOME-TYPE PROPERTY" means real estate upon which there is located one or more single-family dwellings or a structure containing dwelling units for not more than 4 families in the aggregate.

(4) "COMBINATION-HOME-AND-BUSINESS-TYPE PROPERTY" means real estate upon which is located a structure used in part for residence purposes for not more than 4 families and in part for business purposes.

(5) "OTHER-HOME-TYPE PROPERTY" means real estate upon which there is located a structure or structures containing dwelling units for 5 or more families.

(6) "OTHER-COMBINATION-HOME-AND-BUSINESS-TYPE PROPERTY" means real estate upon which is located a structure or structures used in part for residence purposes for 5 or more families and in part for business purposes.

(7) "COMMERCIAL-TYPE PROPERTY" means real estate upon which is located a structure or structures used strictly for commercial and business purposes. This classification also includes churches, schools,

dormitories, hospitals, nursing homes, convalescent homes and homes for the aging.

(8) "SUBDIVISION PROPERTY" means vacant land that is being acquired, developed and improved, or developed and improved for residential purposes.

(9) FULLY IMPROVED LOTS mean vacant lots which are ready for the construction of single family dwellings or structures containing dwelling units for not more than 4 families thereon, and are pledged as security for loans to builders of homes.

History: Cr. Register, January, 1964, No. 97, eff. 2-1-64; r. and recr. (9). Register, April, 1964, No. 100, eff. 5-1-64.

S-L 18.02 Maximum loan ratios to appraised values. Except as otherwise provided in Wis. Adm. Code sections S-L 18.10 and S-L 18.11, no mortgage loan shall exceed the ratios herein set forth:

(1) **STRAIGHT MORTGAGE LOANS.** (a) Straight mortgage loans, secured by real estate with any type of structures thereon, shall conform to the maximum loan ratios prescribed in subsections 215.21 (6) (b) 1 and 2, Wis. Stats.

(b) When the proceeds of a straight mortgage loan are used for the purpose of construction of homes, as described in Wis. Adm. Code subsections S-L 18.01 (1) to (4), the maximum loan shall conform to the 80% loan limit prescribed in subsection 215.21 (6) (b), Wis. Stats.

(c) When the proceeds of a straight mortgage loan are used for the construction of structures containing dwelling units for 5 or more families, or structures used in part for residential purposes for 5 or more families and in part for business purposes as described in Wis. Adm. Code subsection S-L 18.01 (5) and (6), the maximum loan shall not exceed 75% of the appraised value of the real estate security.

(d) When the proceeds of a straight mortgage loan are used for the purpose of construction of a commercial type structure, as described in Wis. Adm. Code subsection S-L 18.01 (7), the maximum loan, regardless of amount, shall not exceed 70% of the appraised value of the real estate security.

(2) **DIRECT REDUCTION MORTGAGE LOANS.** (a) *Home-type properties and combination-home-and-business-type properties.* Any mortgage loan secured by real estate upon which is erected or upon which it is immediately planned to erect a "Home Type" structure for a single family residence or a structure for residential purposes of not more than 4 families, or a "Combination-Home-and-Business-Type" structure used in part for residential purposes for not more than 4 families, and in part for business purposes, shall not exceed 80% of the appraised value of the real estate security.

(b) *Other-home-type properties and other combination-home-and-business type-properties.* Any mortgage loan secured by real estate upon which is erected or upon which it is immediately planned to erect a structure designed for residential purposes for 5 or more families, or a structure used in part for residential purposes for 5 or more families and in part for business purposes, as described in Wis. Adm. Code subsection S-L 18.01 (5) and (6), shall not exceed 75% of the appraised value of the real estate security.

(c) *Commercial type properties.* Any mortgage loan, regardless of amount, secured by real estate upon which is erected or upon which it

is immediately planned to erect a "Commercial-Type" structure, as described in Wis. Adm. Code subsection S-L 18.01 (7), shall not exceed 70% of the appraised value of the real estate security.

(3) **SUBDIVISION PROPERTIES.** Any mortgage loan made for the purpose of financing the acquisition, development and improvement or the development and improvement of lands for primarily residential use, further described in Wis. Adm. Code subsection S-L 18.13, shall not exceed 60% of the appraised value of such security as of the completion of such development and improvement.

(4) **FULLY IMPROVED LOTS.** Any mortgage loan made to builders of homes, secured by fully improved lots for the future construction of home-type properties thereon, as defined in Wis. Adm. Code subsections S-L 18.01 (2) (a), (3) and (4), shall not exceed 60% of the appraised value of such lots as prescribed in subsection 215.21 (17), Wis. Stats.

History: Cr. Register, January, 1964, No. 97, eff. 2-1-64; r. and recr. (1) (c) and (2) (b), Register, April, 1964, No. 100, eff. 5-1-64.

S-L 18.03 Aggregate limitation of certain mortgage loan categories.

(1) **STRAIGHT MORTGAGE LOANS.** (a) The aggregate of straight mortgage loans is limited to 10% of the association's total assets by subsection 215.21 (6) (b) 6, Wis. Stats.

(b) Each straight mortgage loan shall remain as part of this category until fully repaid.

(c) Every straight mortgage loan, not in excess of \$100,000., secured by "Commercial-Type" property, shall also be a part of the 18% of total assets limit set for "Commercial-Type" properties in subsection 215.21 (7) (c), Wis. Stats., and shall be a part of both categories until fully repaid.

(d) Every straight mortgage loan in excess of \$100,000 shall also be a part of the 20% of total assets limit set for "Loans in Excess of \$100,000." in subsection 215.21 (27), Wis. Stats., and shall remain in that category until the unpaid loan balance is reduced to \$100,000.

(2) **LOANS SECURED BY "COMMERCIAL-TYPE" PROPERTY.** (a) The aggregate of mortgage loans, secured by "Commercial-Type" property, is limited to 18% of the association's total assets by subsection 215.21 (7) (c), Wis. Stats.

(b) Every mortgage loan, secured by "Commercial-Type" property shall remain as part of this category until fully repaid.

(c) Every mortgage loan in excess of \$100,000., secured by "Commercial-Type" property, shall also be a part of the 20% of total assets limit set for "Loans in Excess of \$100,000." in subsection 215.21 (27), Wis. Stats., and shall remain in that category until the unpaid loan balance is reduced to \$100,000.

(3) **PARTICIPATION LOANS.** (a) The aggregate of participation loans, made under the permissive authority of subsection 215.21 (15), Wis. Stats., consisting of the retained portion of those loans originated by the association and the participating interests in mortgage loans purchased from other lenders, except G.I. and F.H.A. loans, shall not exceed 30% of the association's total assets.

(b) Every participation loan, whether it be that portion retained by the originating association or a participating interest purchased

from other lenders, secured by "Commercial-Type" property shall also be a part of the 18% of total assets limit set for "Commercial-Type" properties in subsection 215.21 (7) (c), Wis. Stats., and shall remain as a part of both categories until fully repaid.

(c) Every participating interest in a mortgage loan in excess of \$100,000., whether it be that portion retained by the originating association or a participating interest purchased from other lenders, shall also be a part of the 20% of total assets limit for "Loans in Excess of \$100,000." in subsection 215.21 (27), Wis. Stats., and shall remain in that category until the unpaid balance of the participating interest so retained or originated is reduced to \$100,000.

(4) SUBDIVISION LOANS. (a) The aggregate of loans, made for the acquisition, development and improvement or the development and improvement of lands for primarily residential use, under the permissive authority of subsection 215.21 (16), Wis. Stats., shall not exceed 5% of the association's total assets.

(b) The total amount of loans of this type that may be made to any individual developer shall not exceed one-fifth (20%) of the 5% limit prescribed in par. (a), above.

(c) Any subdivision loan in excess of \$100,000. shall also be a part of the 20% of total assets limit set for "Loans in Excess of \$100,000." in subsection 215.21 (27), Wis. Stats., and shall remain in that category until the unpaid balance of the loan is reduced to \$100,000.

(5) FULLY IMPROVED LOTS. (a) The aggregate of loans, made to builders of homes on the security of fully-improved lots for the future construction of single-family homes thereon, is limited to 1% of the association's total assets by subsection 215.21 (17), Wis. Stats.

(b) The total amount of loans of this type that may be made to an individual builder of homes shall not exceed one-fifth (20%) of the 1% aggregate total imposed by subsection 215.21 (17), Wis. Stats.

(c) Any loan in excess of \$100,000., secured by fully-improved lots, shall also be a part of the 20% of total assets limit set for "Loans in Excess of \$100,000." in subsection 215.21 (27), Wis. Stats., and shall remain in that category until the unpaid balance of the loan is reduced to \$100,000.

(6) LOANS IN EXCESS OF \$100,000. (a) The aggregate of loans in excess of \$100,000., regardless of the type of real estate security or method of loan repayment, is limited to 20% of the association's total assets by subsection 215.21 (27), Wis. Stats.

(b) Any loan in excess of \$100,000. shall remain a part of this category until the unpaid balance of the loan is reduced to \$100,000.

(7) LOANS TO ONE BORROWER. (a) The aggregate of loans that may be made to any one borrower by an association, having total assets of \$1,000,000. or less, shall conform to the limits prescribed in section 215.21 (5), Wis. Stats. Any association, whose assets exceed \$1,000,000., may make loans to any one borrower, that in the aggregate do not exceed 10% of the association's savings capital or the association's total of general reserves and undivided profits, whichever is the lesser.

(b) In the event a borrower conveys title to his property to another person, subject to the association's mortgage, the loan shall be considered as a loan made to the original owner, and shall be included in the aggregate of loans made to him as an individual borrower.

(c) In the event a borrower conveys title to his property to another person and that other person assumes the payment of the mortgage, and the directors, by resolution, relieve the original borrower of any and all responsibility for the repayment of the loan, then such loan shall be deducted from the aggregate of loans made to him as an individual borrower.

History: Cr. Register, January, 1964, No. 97, eff. 2-1-64.

S-L 18.07 Construction loans. The proceeds of a loan made for the purpose of meeting the cost of constructing a building and monies deposited with the association by a borrowing member for the same purpose shall be subject to disbursement only to the borrowing member or upon a written order signed by the borrowing member or his duly authorized agent directing that payment be made to a contractor, sub-contractor or material man furnishing labor and material on the property pledged as security for a loan.

History: Cr. Register, January, 1964, No. 97, eff. 2-1-64.

S-L 18.08 Renewal or extension of straight mortgage loans. Any savings and loan association renewing or extending straight mortgage loans, pursuant to the provisions of subsection 215.21 (6) (b) 4, Wis. Stats., shall follow the following procedure: (1) The borrower shall request in writing his desire for an extension or renewal of his mortgage loan. Such notice shall identify the mortgage sought to be renewed or extended and shall state the additional time desired, and shall be signed by the borrower.

(2) The board of directors shall take formal action upon each extension and renewal request. If the board approved such application, the minutes shall state the time granted for the renewal or extension and the rate of interest to be paid.

(3) After the application for extension or renewal has been approved by the board, an "Extension of Mortgage" form shall be executed by the borrower and the association in such form as shall enable it to be recorded in the office of the register of deeds.

History: Cr. Register, January, 1964, No. 97, eff. 2-1-64.

S-L 18.09 Types of real estate unacceptable as mortgage loan security. Unless the real estate pledged as security on a mortgage loan shall abut on a public right-of-way or shall have access to a public right-of-way by a recorded easement, or where real estate security is located to the rear of another parcel of real estate owned by a party other than the owner of the real estate offered as security, it shall be unacceptable as security for a mortgage loan. An alley shall not be considered a public right-of-way.

History: Cr. Register, January, 1964, No. 97, eff. 2-1-64.

S-L 18.10 Loans in excess of 80% of Appraised Value. (1) **WHEN PERMITTED.** Any association whose aggregate of general reserves and undivided profits is equal to or in excess of 3% of total assets may make loans pursuant to the permissive authority of this section.

(2) **TYPES OF ELIGIBLE SECURITY.** Any association may exceed the 80% maximum loan ratio to appraised value of the real estate security, as imposed by subsection S-L 18.02 (2), Wis. Adm. Code, when such loans are secured by real estate single family dwellings, as defined in Wis. Adm. Code subsection S-L 18.02 (2) (a) and (b), or structures designed for residential use by 2 families, provided that the premises be occupied in whole or in part by the borrower as his dwelling.

(3) **PURPOSE OF LOANS.** Loans made under the provisions of this section may be for any purpose.

(4) **MAXIMUM LOAN RATIO.** No loan made pursuant to the provisions of this section, shall exceed 90% of the appraised value of the real estate security, provided that:

(a) The maximum loan on a single family residential unit shall in no event exceed \$27,000.

(b) The maximum loan on a 2 family residence shall in no event exceed \$33,000.

(5) **MANDATORY ADDITIONAL SECURITY.** (a) That portion of any loan in excess of 80% of the appraised value of the real estate security shall be further secured by such acceptable collateral, as defined in subsection (5) (b) below, or mortgage insurance or both, as may be determined by the board of directors of the association. Nothing in this subsection shall be deemed to prevent any association from demanding that borrowers further secure their loans with additional collateral, or mortgage insurance, or both, in such percentages or amounts as determined and approved by the board of directors. The term, mortgage insurance, as used herein, is defined as insurance which shall indemnify the association, in whole or in part, against loss resulting from default of the borrower's contractual payments as specified in the mortgage note.

(b) Additional collateral, acceptable for loans made pursuant to this section, may consist of:

1. The cash surrender value of an insurance policy on the life of any person responsible for the payment of the mortgage note.

2. United States government securities, "E" Bonds excluded.

3. Market value of bonds, notes or other evidences which are a general obligation of any city, town, village, county or school district of this state.

4. Savings accounts of state-chartered and federally-chartered savings and loan associations, doing business in this state, including savings accounts of mortgagee association.

5. Savings accounts of savings and loan associations located outside of the state of Wisconsin, which are insured by the Federal Savings and Loan Insurance Corporation.

(c) Incumbered real estate, vacant lands, vacant lots, personal property and personal guarantors on the mortgage note are not eligible as additional collateral to loans granted pursuant to this section.

(6) **OTHER REQUISITES.** No loan in excess of 80% of the appraised value of the real estate security shall be made unless the following conditions are met:

(a) That no part of the single family residence or the 2 family residence is to be used for business purposes.

(b) That the parcel of land on which the single family residence or 2 family residence is located has no other residential, combination-home-and-business or commercial type property located upon it.

(c) That the borrower execute an affidavit or certificate stating that no additional financing other than the association's mortgage, has been agreed upon by the borrower.

(7) **GENERAL.** On loans made for the purpose of financing construction, the following must be observed by the association:

(a) The aggregate of loan proceeds up to the completion of construction shall not exceed 80% of the appraised value of the real estate.

(b) The amount of such loan in excess of 80% of the appraised value of the real estate security shall not be disbursed until:

1. Construction has been fully completed, and

2. The property has been occupied by the borrower as a dwelling.

(8) **FORFEITURE PROVISIONS.** The board of directors of an association may declare a loan, made under the provisions of this section, due and payable and commence legal proceedings to enforce collection whenever any of the following conditions exist while the unpaid balance of the loan exceeds 80% of the appraised value of the real estate security:

(a) Title to the real estate securing the loan has been conveyed to another person, or

(b) The borrower ceases to be an occupant of the property.

History: Cr. Register, January, 1964, No. 97, eff. 2-1-64; am. (6) (c). Register, April, 1964, No. 100, eff. 5-1-64.

S-L 18.11 Mortgage loans secured by improved real estate and savings accounts of savings and loan associations. (1) Any association may make mortgage loans on the security of improved real estate, subdivision-type property and improved lots excluded, and the withdrawal value of savings and loan association savings accounts, and may exceed the maximum loan ratios prescribed in subsection 215.21 (6) (b), Wis. Stats. and Wis. Adm. Code subsections 18.02 (1), (2), (3) and (4), when the excess of such mortgage loan is further secured by the withdrawal value of savings accounts of any state-chartered or federally-chartered savings and loan association doing business in Wisconsin, or the withdrawal value of savings accounts of any savings and loan association located outside of the state of Wisconsin, whose members' accounts are insured by the Federal Savings and Loan Insurance Corporation.

(2) The maximum amount of any mortgage loan made pursuant to the provisions of this section, may be made up to but shall not exceed the appraised value of the improved real estate security.

(3) The savings accounts, pledged as additional collateral to any mortgage loan made pursuant to the provisions of this section, may be the property of any person and may be accepted at full withdrawal value.

(4) Upon proper assignment of the pledged savings accounts, a collateral trust agreement shall be executed between the borrower, the owner of the pledged savings accounts and the mortgagee association. The trust agreement shall provide the manner in which the pledged savings account may be released.

(5) The mortgage note shall contain a recitation to the effect that said loan is further secured by a collateral trust agreement of even date.

(6) No additional advances may be made on any mortgage loan, made pursuant to the provisions of this section, while the collateral trust agreement is in force.

(7) Any additional advances made after the termination of the collateral trust agreement, shall be made in such amount so as to limit the borrower's total unpaid loan balance to the maximum loan ratios cited in subsection (1) above.

History: Cr. Register, January, 1964, No. 97, eff. 2-1-64.

S-L 18.12 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 Ch. 215, Wis. Stats., whose members' savings 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 Ch. 215, Wis. Stats. whose members' savings 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 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 and sold a participating interest therein to another lender.

(h) "Participation loan" means a mortgage loan secured by improved real estate, 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 and conditions 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 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 from a lender defined in subsection (1) (d) above.

(2) **INSURED, STATE-CHARTERED SAVINGS AND LOAN ASSOCIATIONS.** (a) Any insured, state-chartered savings and loan association may originate a mortgage loan on any type of improved real estate, situated not more than 50 miles from its office, and sell a participating interest therein to any lender defined in subsection (1) (d) above.

(b) Any insured, state-chartered savings and loan association may originate a mortgage loan on improved real estate consisting of home-type, combination-home-and-business-type, other home-type, or other combination-home-and-business-type property, (as defined in Wis. Adm. Code subsections S-L 18.01 (3) (4) (5) and (6)), located more