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S-L 18



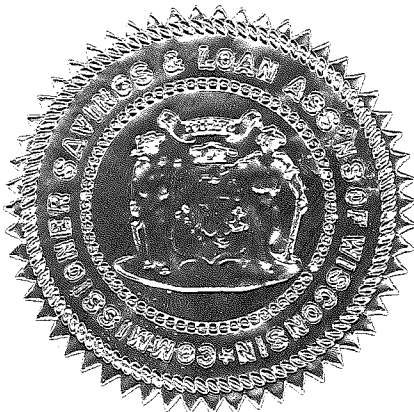
STATE OF WISCONSIN)
 DEPARTMENT OF SAVINGS AND LOAN) SS

I, LEO MORTENSEN, Commissioner of Savings and Loan Associations, and custodian of the official records of the Savings and Loan Department, do hereby certify that the annexed Order No. 63, creating subsection S-L 18.05(3), captioned, "SPECIAL APPRAISALS; SPECIFIC RESERVES", was adopted by the Savings and Loan Commissioner on December 22, 1966, and approved by the Savings and Loan Advisory Committee on December 22, 1966, after a public hearing held on November 29, 1966.

I further certify that publication of the Annexed Order No. 63, will be made in the Wisconsin Administrative Register of January 1967, No. 133, and that the subject matter contained in Order No. 63 of the Rules of the Savings and Loan Department, Wisconsin Administrative Code, will become effective February 1, 1967.

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

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Official Seal of the Savings and Loan Department, located in Room 502, Hill Farm State Office Building, 4802 Sheboygan Avenue, in the City of Madison, this 28th day of December, 1966.



Leo Mortensen

 Leo Mortensen
 Commissioner

SAVINGS AND LOAN DEPARTMENT
STATE OF WISCONSIN

ORDER NO. 63

IN THE MATTER of prescribing Rules and Regulations pursuant to authority contained in Sec. 215.02(12)(a), Wis. Stats., for conducting the business of Savings and Loan Associations operating under Chap. 215, Wis. Stats.

WHEREAS, it is in the interest of the public that the Commissioner of Savings and Loan Associations be authorized to reappraise the real estate security of mortgage loans made by an association for good and sufficient reasons, and

WHEREAS, it is in the interest of the public that the Commissioner of Savings and Loan Associations be authorized to direct associations to set up specific reserves, when such reappraisals indicate potential losses or excessive loans granted.

NOW, THEREFORE, IT IS ORDERED:

That subsection S-L 18.05(3) be created to read as:

"S-L 18.05 APPROVED APPRAISERS AND APPRAISAL REPORTS

(3) Special Appraisals; Specific Reserves.

(a) The commissioner may employ independent appraisers of his own choice to reappraise any or all of the real estate securing the loans made by the association when he determines that:

1. The association's appraisals may be excessive; or
2. The association's lending policies or procedures may be of a marginal nature, or

3. The association's appraisal policies and practices may not conform with generally accepted and professional appraisal standards; or
 4. The association's assets, secured by real estate are overvalued; or
 5. The association, in order to correct violations of lending restrictions relating to maximum amounts or authorized maximum ratios, reappraises the real estate securing such loans to qualify such loans as complying with prescribed amounts or maximum ratios set forth in this section, or
 6. The annual supervisory examination report discloses high ratios of mortgage loan delinquencies, loan concentration secured by real estate situated in declining areas, loan concentration to speculative builders, granting of new loans or extending existing mortgage loans to speculative builders when such speculative builder is indebted to the association on completed structures which have remained unsold for an undue period of time, appraisals made by the association's appraisal committee substantially exceed sales prices, the disbursement of funds on construction loans in advance of the actual progress of construction, or any other adverse factors or trends which would tend to impair the value of the assets of the association.
- (b) The cost of such appraisals shall be paid promptly by the association to the appraiser who made the appraisals.
- (c) If the appraisals, as described in par. (a) above, reveal that the unpaid balance of individual loan accounts exceed the maximum amounts or ratios as set forth in this section, the association shall, at the direction of the commissioner, set up specific reserves out of current earnings,

undivided profits or general reserves for each such loan account.

- (d) The specific reserve, as used in this section, shall be the amount of the individual loan account balance in excess of the permissible lending limitations as set forth in Section S-L 18.02, Wis. Adm. Code, as determined by the reappraisal.
- (e) The specific reserve shall be maintained until the unpaid balance of individual loan accounts is reduced to maximum lending limitations, amounts or ratios. After the loan has been reduced to its maximum authorized level, the specific reserve shall be transferred to Undivided Profits or any other General Reserve account as designated by the board of directors."

IT IS FURTHER ORDERED, That Order No. 63 shall become a part of the Rules of the Savings and Loan Department, Wisconsin Administrative Code, effective the 1st day of the month following publication thereof in the Wisconsin Administrative Register after a public hearing thereon in accordance with the provisions of Chap. 227, Wis. Stats.

Dated this 28th day of December, 1966



Leo Mortensen
Commissioner

This Order was approved by the Savings and Loan Advisory Committee on December 22, 1966, after a public hearing thereon held on November 29, 1966.