

## Chapter S-L 18

## MORTGAGE LOANS

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**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 section 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. This classification includes fraternity or sorority houses which have sleeping accommodations for college students, and structures used principally for providing living accommodations for students, employees or members of the staff of a college,

university, other educational institution, or hospital. Structures, known as dormitories for college students, also come within this classification.

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

(10) "VACANT LOT" means an improved or unimproved building site, upon which the borrower intends to construct and occupy as a residence, a structure containing dwelling units for not more than 4 families.

**History:** Cr. Register, January, 1964, No. 97, eff. 2-1-64; r. and recr. (9), Register, April, 1964, No. 100, eff. 5-1-64; am. (6) and (7), Register, January, 1966, No. 121, eff. 2-1-66; cr. (10), Register, January, 1968, No. 145, eff. 2-1-68.

**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 sections 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 sections S-L 18.01 (1) to (4), the maximum loan shall conform to the 80% loan limit prescribed in section 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 section 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 section 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, or structures consisting of fraternity houses, sorority houses with living accommodations for college students, or structures used principally for providing living accommodations for students, employes or members of the staff of a college, university, other educational institution, or hospital, as described in Wis. Adm. Code, section S-L 18.01(5) and (6), shall not exceed 80% 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, section S-L 18.01(7), shall not exceed 75% of the appraised value of the real estate security.

(d) *Loans to 100% of value.* In order to provide funds for financing of housing to low and moderate income families, an association may make loans not in excess of 100% of appraised value granted under the Housing Opportunity Allowance Program, 12 CFR 527. Loans made pursuant to the provisions of this section will not be subject to the mandatory security requirements set forth in section S-L 8.10.

(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 section 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 sections S-L 18.01 (2) (a), (3) and (4), shall not exceed 60% of the appraised value of such lots as prescribed in section 215.21 (17), Wis. Stats.

(5) **VACANT LOTS.** Any mortgage loan secured by a vacant lot, as defined in Wis. Adm. Code section S-L 18.01 (10), shall not exceed 80% of either the appraised value or the sale price of the real estate security, whichever is the lesser.

(6) **SPECIFIC RESERVES ON LOANS EXCEEDING AMOUNTS PERMITTED.** Any association granting a loan or loans in excess of the maximum amounts or ratios set forth in this section shall immediately set up a specific reserve for the excess amount loaned by a charge to its current earnings, and maintain such specific reserve until the unpaid balance of the loan reaches the maximum amount authorized. After the loan has been reduced to its maximum authorized level, the speci-

fic reserve shall be transferred to undivided profits or any other general reserve account as designated by the board of directors.

**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; am. (2) (b), Register, January, 1966, No. 121, eff. 2-1-66; cr. (5), Register, November, 1966, No. 131, eff. 12-1-66; renum. (5) to be (6), and cr. (5), Register, January, 1968, No. 145, eff. 2-1-68; am. (2) (b) and (c), Register, July, 1971, No. 187, eff. 8-1-71; renum. S-L 18.10 (9) to be S-L 18.02 (2) (d) and am., Register, September, 1971, No. 189, eff. 10-1-71.

**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 section 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 secured by "commercial-type" property, shall also be a part of the total assets limit set for "commercial-type" properties in section 215.21 (7) (c), Wis. Stats., and shall be included in both categories.

(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 section 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.

(3) **PARTICIPATION LOANS.** (a) The aggregate of participation loans made under the permissive authority of section 215.21(15), Wis. Stats., consisting of the retained portion of those loans originated by the association and the participating interest in mortgage loans purchased from other lenders, shall not exceed 40% of the association's total assets. FHA or VA loans are excluded from this category.

(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 section 215.21 (7) (c), Wis. Stats., and shall remain as a part of both categories until fully repaid.

(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 section 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.

(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 section 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 section 215.21 (17), Wis. Stats.

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(6) **VACANT LOTS.** The aggregate of loans secured by vacant lots, as defined in Wis. Adm. Code section S-L 18.01 (10), shall not exceed 3% of the association's total assets.

(7) **LOANS IN EXCESS OF \$200,000.** The aggregate of loans in excess of \$200,000, regardless of the type of security or method of loan repayment, is limited in amount and shall remain a part of this category in accordance with section 215.21 (27), Wis. Stats.

(8) **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; r. and recr. (3) (a), Register, October, 1966, No. 130, eff. 11-1-66; renun. (6) to be (7), and (7) to be (8), and cr. (6), Register, January, 1968, No. 145, eff. 2-1-68; am. (1) (c); r. (1) (d), (2) (c), (3) (c), (4) (c) and (5) (c), and am. (7), Register, September, 1971, No. 189, eff. 10-1-71.

**S-L 18.04 Lending area.** The lending area of an association is defined as that area specified in section 215.21 (2), Wis. Stats.

**History:** Cr. Register, January, 1964, No. 97, eff. 2-1-64; am. Register, September, 1971, No. 189, eff. 10-1-71.

**S-L 18.05 Approved appraisers and appraisal reports.** (1) **APPROVED APPRAISERS.** (a) Any person, possessing the qualifications herein described is hereby approved by the Savings and Loan Commissioner as qualified to render appraisals on real estate securing loans described in section 215.21 (9), Wis. Stats:

1. Membership in a recognized professional appraisal group organization or society, or

2. At least 10 years of appraisal work or possesses such training and experience which, in the opinion of the board of directors, would qualify him to make appraisals, or

3. Staff appraiser of any recognized appraisal firm, association, bureau or corporation, and who further meets the qualifications under sub-paragraphs (1) or (2) above.

(b) No approved appraiser shall render any appraisal reports to an association unless his appointment as such has been designated by name in a resolution adopted by the board of directors.

(c) Any association may, by board resolution, designate by name and employ an appraiser or appraisers, approved by the commissioner, to appraise real estate security on all loans.

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(d) The association's duly appointed appraisal committee is not qualified as a committee to render appraisals pursuant to section 215.21 (9) (a), Wis. Stats. However, any member of such appraisal committee possessing the qualifications, prescribed in paragraph (a) above, may, upon proper resolution of the board of directors, render appraisals on real estate security described in section 215.21 (9) (a), Wis. Stats.

(e) The association's duly appointed appraisal committee is qualified to appraise any real estate security for loans except such real estate security as described in section 215.21 (9) (a), Wis. Stats.

(f) No approved appraiser or member of a duly appointed appraisal committee shall appraise real estate security for a loan if he has an interest in such property.

(2) APPRAISAL REPORTS. Each appraisal report must be signed by the appraiser, if the appraisal was made by an approved appraiser, or by a majority of the appraisal committee members if the appraisal was made by the association's appraisal committee. Each appraisal report shall set forth the value of land and improvements separately, and such other data and information to substantiate the "Reasonable Market Value" required by section 215.21 (18), Wis. Stats.

(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 Wis. Adm. Code section S-L 18.02, 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.

**History:** Cr. Register, January, 1964, No. 97, eff. 2-1-64; cr. (3), Register, January, 1967, No. 133, eff. 2-1-67.

**S-L 18.06. Opinions of title. (1) OPINIONS OF TITLE FROM ABSTRACTS.**

(a) Upon the approval of a mortgage loan by the association and upon the acceptance of the loan commitment by the applicant, the association shall cause a check of the public records to be made by an abstractor or other competent person to determine status of title, incumbrances, judgments, liens and taxes for the purpose of obtaining preliminary information for the preparation of the loan file. Such preliminary file of reports shall be in writing. The preliminary opinion of title shall be made in writing by an attorney at law.

(b) If the association is refinancing an existing mortgage and has a final opinion of title on such loan, then said final opinion of title may be accepted in lieu of a preliminary opinion of title provided that the extension of the abstract, prior to the refinancing shows that there are no unsatisfied, intervening mortgages, liens or judgments.

(c) At the time of loan closing, after all necessary conveyances, mortgages, mortgage notes, satisfactions and releases have been executed, the association, upon information and belief contained in its preliminary title search, may disburse loan proceeds.

(d) Immediately after loan closing, all deeds, mortgages, satisfactions and releases shall be recorded; thereafter the abstract, describing the mortgaged premises, shall be extended and the association's attorney or any attorney approved by the association shall examine such abstracts and render a final opinion of title in writing advising the association that each borrower has good title, and that the association's mortgages are first liens thereon.

**(2) TITLE GUARANTY POLICIES: WHEN ACCEPTABLE.** (a) Upon approval of a mortgage loan by the association and upon the acceptance of the loan commitment by the applicant, the association, in lieu of opinions of title from abstracts, shall obtain a preliminary report, letter, binder or commitment to insure from the title guaranty insurance companies showing status of title, incumbrances, judgments, liens and taxes for the purpose of obtaining preliminary information for the closing of the loan.

(b) At the time of loan closing, after all necessary conveyances, mortgages, mortgage notes, satisfactions and releases have been executed, the association, upon information and belief contained in the preliminary reports, letters, binders or commitments to insure, may disburse loan proceeds.

(c) Immediately after loan closing, all deeds, satisfactions, mortgages and releases shall be recorded, and title policies insuring first liens to the association shall be obtained within 1 year on all loans made for purposes of construction, and within 2 months on mortgage loans made for purposes other than construction. Every savings and loan association shall have the discretionary right to determine whether its duly appointed attorney shall render an opinion of title on the real estate on which a title policy of insurance has been accepted by the association.

**(3) TITLE SEARCH FOR INTERVENING LIENS ON ADDITIONAL ADVANCES.**

(a) Prior to granting an additional advance on a mortgage loan, the association shall obtain a letter or affidavit from the attorney, abstractor or title company that the records have been checked to determine the existence of any intervening liens.

(b) If such title search reveals the existence of intervening liens, no additional advance shall be made unless subordination agreements are obtained from the holders of said liens, or the liens satisfied.

**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 with mortgage insurance.** (1) Types of eligible security. Any association may exceed the maximum loan ratios set forth in section S-L 18.02 subject to the provisions of this section.

(2) Loans secured by residential, owner-occupied properties. Any association may exceed the maximum loan ratio as imposed by section S-L 18.02 (2) when such loans are secured by real estate as defined in S-L 18.02 (2) (a), provided that the premises be occupied in whole or in part by the borrower as his dwelling. No loan made pursuant to the provisions of this section shall exceed 95% of the appraised value of the real estate security, provided that the portion of the loan in excess of 80% is fully secured by mortgage insurance.

(3) **OTHER LOANS.** Any association may exceed the maximum loan ratio as imposed by sections S-L 18.02 (2) (a) and (b) when such loans are secured by real estate as defined in sections S-L 18.02 (2) (a) and (b). No loan made pursuant to the provisions of this section shall exceed 90% of the appraised value of the real estate security, provided that the portion of the loan in excess of applicable limits is fully secured by mortgage insurance.

(4) **MANDATORY ADDITIONAL SECURITY.** That portion of any loan in excess of the maximum loan ratios set forth in section S-L 18.02 shall be fully secured by such acceptable collateral, as defined in section S-L 18.11, or mortgage insurance or both, as may be determined by the board of directors of the association. 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.

(5) **OTHER REQUISITES.** No loan with mandatory additional security shall be made unless the following conditions are met:

(a) 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.

(b) The borrower shall have a minimum equity of 5% of the appraised value exclusive of work credits on loans secured by residential, owner-occupied properties and 10% on other loans.

(c) On loans made for the purpose of financing construction the following must be observed by the association:

1. The aggregate of loan disbursements up to the completion of construction shall not exceed 80% of the appraised value of the real estate.

2. The amount of such loan in excess of 80% of the appraised value of the real estate security shall not be disbursed until construction has been fully completed.

**History:** Cr. Register, January, 1964, No. 97, eff. 2-1-64; am. (6) (c), Register, April, 1964, No. 100, eff. 5-1-64; am. (4) and cr. (9), Register, May, 1971, No. 185, eff. 6-1-71; renum. (9) to be S-L 18.02 (2) (d) and am.; am. (1), (2), (3), (4), (5), (6), (7) and (8), Register, September, 1971, No. 189, eff. 10-1-71.

**S-L 18.11 Loans with other collateral.** (1) Any association may make mortgage loans exceeding the maximum loan ratio set forth in section S-L 18.02 when the excess of such mortgage loan is fully secured by any of the following:

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

(b) Negotiable securities of the United States Government and any agency thereof which are guaranteed as to principal and interest by the United States Government.

(c) 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.

(d) Savings accounts, certificates of savings and certificates of deposit of the lending institution or of other savings and loan associations and banks insured by the FSLIC or FDIC. Such collateral may be the property of any person and may be accepted at full withdrawal value.

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

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

**History:** Cr. Register, January, 1964, No. 97, eff. 2-1-64; am. (1), Register, January, 1968, No. 145, eff. 2-1-68; am. Register, 1971, No. 189, eff. 10-1-71.

**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.
8. Approved Federal Housing Administration mortgagee.

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(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) LOANS WITHIN LENDING AREA. Any association may participate with other lenders in the origination, purchase, sale or in making loans on the security of real estate located within its lending area or purchase a participating interest in such loans, subject to the limitations set forth in section 215.21 (15), Wis. Stats.

(3) PARTICIPATION LOANS ON REAL ESTATE LOCATED BEYOND AREA. Any insured association may participate with other lenders in the origination, purchase, sale or in making loans on the security of real estate used primarily for housing purposes located outside its normal lending area or purchase a participating interest in such loans, subject to the limitations set forth in section 215.21 (15), Wis. Stats., provided that:

(a) The loan is a government insured or guaranteed loan; or

(b) The originating lender certifies that:

1. The security property is located within their regular lending area.

2. Any loan exceeding the maximum loan ratio set forth in section S-L 18.02 is collateralized as provided in section S-L 18.10.

(4) PERCENTAGE OF ASSETS. No insured institution shall purchase a participation interest in a loan or participate in the making of a loan if the amount of such participation interest plus the amount of such institution's outstanding investments in participation interests aggregate a total amount exceeding 40% of such institution's assets. The provisions of this paragraph shall not apply to any loan that is government insured or guaranteed.

(5) PURCHASES OF PARTICIPATING INTERESTS IN MORTGAGE LOANS BY NON-INSURED, STATE-CHARTERED SAVINGS AND LOAN ASSOCIATIONS. (a) Any non-insured, state-chartered savings and loan association may

purchase a participating interest in a mortgage loan from any lender, as defined in subsection (1) (d) above, said improved real estate being of any type, as defined in section S-L 18.01 (3), (4), (5), (6) and (7), located within 100 miles of its office and within 100 miles of the purchasing lender's office. The originating lender must retain at least a 25% interest in such loan.

(b) Any non-insured, state-chartered savings and loan association may purchase a participating interest in a mortgage loan from any lender, as defined in subsection (1) (d) above, except an insured, state-chartered savings and loan association or a federal savings and loan association, said improved real estate being located more than 100 miles from its office and within 100 miles of the originating lender's office and consisting of "Home-Type" property as defined in sections S-L 18.01 (3) (4) (5) and (6). The originating lender must retain at least a 50% interest in such loan.

(6) JOINT ORIGINATIONS. (a) If the originating lender is an insured, state-chartered savings and loan association, and enters into a participation agreement with one or more purchasing lenders, who are also insured savings and loan associations, regarding a loan commitment prior to the closing of the loan and the furnishing of funds by the participants at the time the loan is closed or processed, the originating lender must retain an interest in the loan as required by section 215.21 (15), Wis. Stats. The restrictions as to the location of the real estate security and the type of real estate security, as set forth in subsections (2) and (3) above, shall apply to joint originations.

(b) If the originating lender is a non-insured, state-chartered savings and loan association, and enters into a participation agreement with one or more lenders, as defined in subsection (1) (d) above, except an insured, state-chartered savings and loan association or a federal savings and loan association, regarding a loan commitment prior to the closing of the loan and the furnishing of funds by the participants at the time the loan is closed or processed, the originating lender must retain at least a 50% interest in such loan. The restrictions as to the location of the real estate security and type of real estate security, as set forth in subsection (5) above, shall apply to joint originations.

(7) MORTGAGE AND MORTGAGE NOTES OF PARTICIPATION LOANS. 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" and shall be retained by said originating association or other originating lender along with the other related documents.

(8) 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.

(9) 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 pur-

chasing lender (purchasing association). The participation loan certificate must contain sufficient information to properly identify the security of such transaction.

(10) **MORTGAGE LOAN DOCUMENT FILES OF ORIGINATING ASSOCIATION.** To evidence the sale of a participating interest in a mortgage loan, the loan document file of the originating association shall, in addition to the note, mortgage and other related papers, contain signed copies of the participation loan agreement and the participation loan certificate of the other purchasing lender or lenders.

(11) **MORTGAGE LOAN DOCUMENT FILES OF PURCHASING ASSOCIATION.** To evidence the purchase of a participating interest in a mortgage loan, the loan document file of the purchasing association shall contain the signed copies of the participation loan agreement and the participation loan certificate of the originating lender.

(12) **AGGREGATE.** The aggregate of the participation loans, consisting of the retained portion of those originated and participating interests purchased from other lenders, shall not exceed 40% of the association's total assets. The provision of this subsection shall not apply to government insured or guaranteed loans.

(13) **INELIGIBLE SECURITY FOR PARTICIPATION LOANS.** Subdivision loans and loans to builders on fully-improved residential lots, as defined in Wis. Adm. Code sections S-L 18.01 (8) and (9), shall not be eligible real estate security for participation loans.

(14) **SALE OF PARTICIPATING INTERESTS IN MORTGAGE LOANS.** The sale of a participating interest in any mortgage loans shall be without recourse.

(15) **APPLICABILITY OF OTHER STATUTORY AND CODE PROVISIONS.** All participation loans, whether retained portions of those originated or the participating interests purchased from other lenders, must conform to other applicable standards, requirements and restrictions as contained in ch. 215, Wis. Stats., and the Savings and Loan section (S-L) of the Wis. Adm. Code.

(16) **PARTICIPATION LOANS AS JOINT MORTGAGEE WITH OTHER LENDERS.** (a) Any association may make joint loans with other lenders. Each joint mortgage shall be evidenced by a single mortgage securing the mortgage notes held by the mortgagees participating in such joint venture.

(b) All joint mortgage loans shall conform to all other requisites pertaining to location of real estate security, type of real estate security and maximum loan ratio to appraisal value.

(c) At the time of closing a joint mortgage loan, the participating lenders shall execute an agreement setting forth the following:

1. The lender who will collect escrow payments for taxes and insurance and charged with the responsibility of determining that taxes and insurance premiums are paid.

2. The person or persons delegated with the responsibility of providing the necessary insurance coverage, and the name of the lender who will hold such insurance policies.

3. The collection of monthly payments from the mortgagor and the pro-rata remittance thereof to the participating lenders.

4. Conditions precedent for foreclosure proceedings.

5. Such other matters necessary to protect the interests of all lenders participating in the joint mortgage.

**History:** Cr. Register, January, 1964, No. 97, eff. 2-1-64; r. and recr., Register, September, 1965, No. 117, eff. 10-1-65; r. and recr., Register, October, 1966, No. 130, eff. 11-1-66; am. (2) (a) and (b), (3) (a), (4), (5) (a), Register, November, 1968, No. 155, eff. 12-1-68; cr. (1) (d) 8., am. (2), (3), (4), (6) and (12), Register, September, 1971, No. 189, eff. 10-1-71.

**S-L 18.13 Subdivision loans.** (1) **WHEN PERMITTED.** Any association whose total general reserves and undivided profits are equal to or exceed 5% of total assets, may make subdivision loans authorized by subsection 215.21 (16), Wis. Stats.

(2) **LOCATION OF REAL ESTATE SECURITY.** The land securing loans of this type shall be situated in Wisconsin and not more than 50 miles distant from the association's office.

(3) **TITLE OF REAL ESTATE SECURITY.** The title of the real estate security to all loans of this type shall be on land in fee simple.

(4) **AGGREGATE OF SUBDIVISION LOANS.** The aggregate of subdivision loans shall not exceed 5% of the association's total assets.

(5) **LOANS TO ONE BORROWER.** The total of loans made to any single borrower, for the purpose prescribed in section 215.21 (16), Wis. Stats., shall not exceed 50% of the aggregate amount prescribed in subsection (4) above.

(6) **TYPES OF SUBDIVISION LOANS.** Subsec. 215.21 (16), Wis. Stats., permits the following types of subdivision loans:

(a) A loan, the proceeds of which will be used by the applicant borrower to acquire, develop and improve land for primarily residential use, or

(b) A loan, the proceeds of which will be used by the applicant borrower to develop and improve land, owned by him, for primarily residential use.

(7) **MORTGAGE AND MORTGAGE NOTE.** The amount of the loan specified in the mortgage and mortgage note shall not exceed 60% of the appraised value of the real estate upon completion of the developments and improvements.

(8) **APPRAISAL REQUIREMENTS.** Prior to the making of a subdivision loan, 2 appraisals must be made:

(a) An appraisal of the real estate security (acreage) without the inclusion of and prior to the commencement of development and improvement.

(b) An appraisal of the real estate security as of the completion of development and improvement. This appraisal report shall also establish the value of individual lots in the tract.

(c) Any appraisal, as required in par. (b) above, shall be supported by data furnished and prepared by qualified engineers as to the cost estimate of the developments and improvements.

(9) **DISBURSEMENTS ON SUBDIVISION LOANS.** (a) The initial disbursement of the loan proceeds of a subdivision loan shall not exceed 60% of the appraised value of the land prior to the time the loan is made, as required in subsection (8) (a) above.

(b) After commencement of development and improvement and prior to completion, a disbursement shall not exceed, together with all previous disbursements, 60% of the value of the real estate plus 60% of the cost of the developments and improvements to the date of such disbursement.

(10) **OPINION OF TITLE.** In addition to the opinion of title, required in Wis. Adm. Code section S-L 18.06, the association's attorney or any attorney approved by the association shall examine all papers and documents of the loan file to ascertain that the loan meets the requirements and procedures prescribed in Ch. 236, Wis. Stats., and advise the association in writing as to the findings of his examination.

(11) **COMMENCEMENT OF DEVELOPMENTS AND IMPROVEMENTS.** In order to assure itself that all phases of development and improvement on a subdivision loan will be completed prior to the due date of the loan, the association shall enter into an agreement with the applicant borrower providing a time schedule for the commencement date, the completion date of each phase of development and the date on which the project is completed.

(12) **RELEASE PRIVILEGES.** Upon receipt of the appraisal report, described in subsection (8) (b) above, the association and the applicant borrower shall, by written agreement, set up a schedule of release prices of the individual lots in the subdivision tract. Whenever a completed lot is sold, the borrower shall pay not less than 75% of the sale price of such lot to the association, whereupon the association shall release said lot from pledge.

(13) **TERM OF LOAN.** The maximum period of a subdivision loan is limited to 3 years. The proceeds from sales of lots shall, in accordance with the provisions of subsection (12) above, be applied to the unpaid balance of the loan. The entire unpaid balance of the loan shall become due and payable at the end of 3 years.

(14) **LOAN EXTENSIONS.** Any subdivision loan may be extended for a period of one year upon written application of the borrower. If the board of directors approves the extension, then the procedure prescribed in Wis. Adm. Code subsections S-L 18.08 (2) and (3) shall be followed. No subdivision loan shall be extended at maturity unless the interest and taxes are current.

(15) **OTHER REQUIREMENTS.** All subdivision loans shall be supported by the following documents:

(a) Name of applicant. If the applicant is a corporation, the names of the officers and shareholders of such corporation.

(b) A financial statement of the applicant to determine that the applicant has the necessary financial ability to undertake and pay off the loan obligation.

(c) A written credit report on the applicant. If the applicant is a corporation, a written credit report on the corporation, its officers and principal shareholders.

(d) A survey of the subdivision plat wherein all lots are properly identified.

(e) A statement of the applicant showing:

1. Date on which the land was or will be purchased.
2. The cost of the land to the applicant.
3. The estimated costs of development and improvements.
4. The estimated value of the project after completion of developments and improvements.

(16) GENERAL. The purchasing or selling of participating interests in subdivision loans is prohibited.

**History:** Cr. Register, January, 1964, No. 97, eff. 2-1-64; am. (3), Register, September, 1971, No. 189, eff. 10-1-71.

**S-L 18.14 Builders' loans secured by vacant lots. (1) WHEN PERMITTED.** Any association whose total general reserves and undivided profits are equal to or exceed 5% of total assets, may make loans to builders of homes on the security of fully-improved lots, pursuant to the provisions of subsection 215.21 (17), Wis. Stats.

(2) LOCATION OF REAL ESTATE SECURITY. The lots securing this type of loan shall be situated in Wisconsin, and not more than 50 miles distant from the association's office.

(3) LOANS TO ONE BORROWER. The total of loans made to any single borrower shall not exceed 50% of the aggregate amount prescribed in section 215.21 (17), Wis. Stats.

(4) COMMENCEMENT OF CONSTRUCTION OF STRUCTURES THEREON. In addition to the regular loan documents, the borrower will execute an affidavit that he will commence construction of single-family dwellings or structures containing dwelling units for not more than 4 families on a specified number of lots, not later than 6 months after the loan was granted, and that he will build to completion structures on all of the lots within the 3 year term of the loan.

(5) RELEASE OF LOTS FROM PLEDGE. No lot may be released from loan security unless the security of the remaining lots bears the same ratio of value to the remaining unpaid loan balance as at the time the loan was made.

(6) APPRAISAL REQUIREMENT. The appraisal report on loans of this type shall state separately the value of each lot securing said loan.

(7) OTHER REQUIREMENTS. All loans made to builders of homes on the security of fully-improved lots shall be supported by the following documents:

(a) Name of applicant. If the applicant is a corporation, the names of the officers and shareholders of the corporation.

(b) A financial statement of the applicant to determine that the applicant has the necessary financial ability to undertake and pay off the loan obligation.

(c) A written credit report on the applicant. If the applicant is a corporation, a written credit report on the corporation, its officers and principal shareholders.

(d) A survey of the subdivision plat wherein the lots are properly identified.

(e) A statement of the applicant showing:

1. Date on which the lots were or will be purchased.
2. The cost of the lots to the applicant.
3. The types of structures that will be erected on the lots and the price range of such homes when completed.

**History:** Cr. Register, January, 1964, No. 97, eff. 2-1-64; am. (3), Register, September, 1971, No. 189, eff. 10-1-71.

**S-L 18.15 Members' loans secured by vacant lots.** Loans secured by vacant lots, as defined in Wis. Adm. Code section S-L 18.01 (10), made pursuant to section 215.21 (29), Wis. Stats., shall conform to the following:

(1) The amount of each loan shall not exceed 80% of either the appraised value or the sale price of the real estate security, whichever is the lesser.

(2) Each loan shall be repaid, within a period of 10 years, in regular monthly installments, to include 1/12 of the real estate taxes and special assessments.

(3) The aggregate of such loans shall not exceed 3% of the association's total assets.

(4) No association shall grant any loan secured by a vacant lot to a borrower while said borrower has any other such loan outstanding.

(5) The borrower shall execute at the time of loan closing an affidavit or certificate stating:

(a) That the borrower intends to construct on the building site offered as security, a structure to be occupied by the borrower as a residence.

(b) That the borrower has no other loans, secured by vacant lots, made pursuant to section 215.21 (29), Wis. Stats., with either the granting association or any other savings and loan association.

(c) The cost to the borrower of the real estate security and the improvements thereto, if any.

**History:** Cr. Register, January, 1968, No. 145, eff. 2-1-68.

**S-L 18.16 FHA and GI loans.** Mortgage loans, as authorized by subsection 215.21 (12), Wis. Stats., which are insured or guaranteed wholly or in part under The National Housing Act, approved June 27, 1934, or The Servicemen's Readjustment Act of 1944, U.S.P.L. 346, shall be excluded from all restrictions, categories and classifications imposed by Ch. 215, Wis. Stats., and the Savings and Loan section of the Wis. Adm. Code. This exclusion is authorized by section 219.03, Wis. Stats.

**History:** Cr. Register, January, 1964, No. 97, eff. 2-1-64; renum. to be S-L 18.16; Register, January, 1968, No. 145, eff. 2-1-68.

**S-L 18.17 Other required records and documents.** All state-chartered savings and loan associations, whose members' accounts are insured by the Federal Savings and Loan Insurance Corporation, shall maintain such other records and documents as required in the rules and regulations for insurance of accounts.

**History:** Cr. Register, January, 1964, No. 97, eff. 2-1-64; renum. to be S-L 18.17, Register, January, 1968, No. 145, eff. 2-1-68.

**S-L 18.18 Metropolitan area loans.** (1) **DEFINITIONS.** For the purpose of this section, the following definitions apply:

- (a) *Specified assets.* Specified assets of an association shall consist

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of total assets, less cash, U. S. Government obligations, Federal Home Loan Bank stock, prepaid Federal Savings and Loan Insurance premiums (if insured), loans secured by the institution's savings accounts, investments up to \$10,000 in savings accounts of other associations insured by the Federal Savings and Loan Insurance Corp., loans in process, and less 80% of the association's F.H.A. and V.A. loans.

(b) *Scheduled items.* Scheduled items of an association include:

1. Slow loans (other than F.H.A. or V.A.);
2. 20% of slow, F.H.A. or V.A. loans;
3. Real estate owned and in judgment, excluding real estate owned pending transfer to an insuring or guaranteeing federal agency and federally insured or guaranteed loans in judgment;
4. Real estate sold on contract, the principal unpaid balance of which exceed applicable lending limitations;
5. Investment securities upon which one or more interest payments due has not been paid; and
6. Deposits in closed financial institutions or those in possession of supervisory authorities.

(2) **WHEN PERMITTED.** Any association may make or purchase loans pursuant to the permissive authority of section 215.21 (28), Wis. Stats. if, at the close of its most recent semi-annual period, its scheduled items did not exceed 2.5% of its specified assets.

(3) **LOCATION OF ORIGINATING OR SERVICING INSTITUTION.** The main office or a branch office of the originating and servicing institution, or approved Federal Housing Administration mortgagee, must be located within the same metropolitan area as the real estate security.

(4) **APPROVED FEDERAL HOUSING ADMINISTRATION MORTGAGEES.** Any loan purchased from an approved Federal Housing Administration Mortgagee, shall be documented by said mortgagee showing:

- a. That the mortgagee is a lender approved by the Federal Housing Administration, and
- b. That the mortgagee has been continuously and principally engaged in originating and servicing loans for other lenders and investors for a period of at least 5 years.

(5) **APPRAISAL REQUIREMENT.** The security for each loan made or purchased, pursuant to section 215.21 (28), Wis. Stats., shall be appraised by an appraiser, designated by name in a resolution by the board of directors, in accordance with the provisions of Wis. Adm. Code section S-L 18.05 (1) (c). The association may accept the appraisal made for the approved Federal Housing Administration mortgagee, by resolution of the board of directors, specifically designating, by name, the appraiser who made the original appraisal.

(6) **INELIGIBLE SECURITY FOR METROPOLITAN AREA LOANS.** Subdivision loans, loans to builders on fully-improved residential lots, and loans on vacant lots, as defined in Wis. Adm. Code, sections S-L 18.01 (8), (9), and (10), shall not be eligible security for metropolitan area loans.

(7) **APPLICABILITY OF OTHER STATUTORY AND CODE PROVISIONS.** All loans made or purchased under the permissive authority of section

215.21 (28), Wis. Stats., must conform to other applicable standards, requirements and restrictions as contained in ch. 215, Wis. Stats., and the Savings and Loan section (S-L) of the Wis. Adm. Code.

**History:** Cr. Register, November, 1965, No. 119, eff. 12-1-65; renum. from S-L 18.17 to be S-L 18.18; am. (6), Register, January, 1968, No. 145, eff. 2-1-68.

**S-L 18.19 Fully Insured Loans.** Notwithstanding any limitation or restriction imposed elsewhere in this chapter, any association, whose aggregate of scheduled items is less than 4% of total assets, may, pursuant to the provisions of section 210.20, Wis. Stats., invest in or make loans of up to 100% of the appraised value or cost of the real estate security, whichever is less, provided that such loans are fully insured, to indemnify the association against all loss resulting from default, by a private mortgage insurance company permitted to do business in this state and by the Wisconsin Indemnity Fund.

**History:** Cr. Register, July, 1968, No. 151, eff. 8-1-68.

**S-L 18.20 Discretionary authority of commissioner.** The commissioner may, for good and sufficient reasons, limit, restrict or prohibit an association's authority to invest in any type, category or classification of loan set forth in this chapter.

**History:** Cr. Register, September, 1971, No. 189, eff. 10-1-71.

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