



STATE OF WISCONSIN)
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 OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN)


I, R. J. McMAHON, Commissioner of Savings and Loan and custodian of the official records of the Office of Commissioner of Savings and Loan, do hereby certify that the annexed Order No. 87, repealing and recreating S-L 18.011, S-L 18.02 (2) (d) and S-L 18.12 (3), and creating S-L 8.02, S-L 8.03 and S-L 13.01 (4), RULES OF THE OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN, WISCONSIN ADMINISTRATIVE CODE, was adopted by the Commissioner of Savings and Loan on March 27, 1974 and approved by the Savings and Loan Review Board on March 27, 1974 subsequent to a public hearing held on February 12, 1974 to discuss the contents of this order.

I further certify I have directed that publication of the annexed Order No. 87 be made in the Wisconsin Administrative Register of April, 1974, No. 220 so that the subject matter contained in said order will become effective May 1, 1974.

I further certify that the copy of the order annexed hereto has been compared by me with the original on file at this Office 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 Commissioner, located in Room 401, James Wilson Plaza, 131 West Wilson Street, in the City of Madison, this 29th day of March, 1974.



 R. J. McMahon, Commissioner

STATE OF WISCONSIN
OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN

ORDER NO. 87

IN THE MATTER of prescribing rules pursuant to authority contained in Sections 215.02 (7) (a) and 227.014 (2) (b), Wis. Stats., for the conducting of business of savings and loan associations operating under Chapter 215, Wis. Stats.

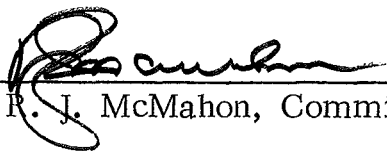
WHEREAS, upon due and proper notice, a public hearing on Proposed Order 87 was held in Rooms 401 and 901, 131 West Wilson Street, Madison, on the 12th of February, 1974, at 10:00 a. m. , to consider the adoption of the provisions contained in the attached order; and

WHEREAS, on March 27, 1974, the attached order was approved in its final form by the Savings and Loan Review Board as required by law; now, therefore,

IT IS ORDERED:

That Order No. 87 of the Office of the Commissioner of Savings and Loan is hereby adopted to read:

IT IS FURTHER ORDERED, That Order No. 87 shall become a part of the Rules of the Commissioner of Savings and Loan, Wisconsin Administrative Code, effective the first day of the month following publication thereof in the Wisconsin Administrative Register for April, 1974, No. 220.



R. J. McMahon, Commissioner

OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN

An Order to repeal and recreate S-L 18.011, S-L 18.02(2)(d) and S-L 18.12(3); and to create S-L 8.02 and 8.03 and S-L 13.01(4) of the Administrative Code, relating to defining the maximum term of direct reduction mortgage loans and permitting certain flexible payment mortgages, requiring the retention of rejected loan applications and related materials, requiring written disclosure of interest adjustment provisions contained in mortgages or mortgage notes, designating the content of certain written notices of interest adjustment, permitting certain loans in excess of normal lending maximums, and permitting participation loans on certain real estate located beyond an association's normal lending area.

SECTION 1. S-L 8.02 and 8.03 are created to read:

S-L 8.02 NOTICE OF INTEREST ADJUSTMENT PROVISIONS. (1) WRITTEN NOTICE REQUIRED. No association may make a mortgage loan evidenced by a mortgage or mortgage note which provides for prospective changes in the rate of interest, unless it has clearly and conspicuously disclosed to the borrower in writing:

(a) That the interest rate is prospectively subject to change;

(b) The procedures by which the interest rate may be changed; and

(c) Any prepayment rights of the borrower upon receiving notice of such change.

(2) TRUTH IN LENDING DISCLOSURE ACCEPTABLE. Inclusion of such disclosures in a notice provided by the association to the customer as required under federal reserve regulation Z shall be deemed compliance with this section.

S-L 8.03 NOTICE OF INTEREST RATE INCREASES. (1) NOTICE REQUIRED. No association may increase the interest rate on a mortgage loan during its term unless written notice of such increase has been given to the borrower at least 4 months before the effective date of such increase.

(2) SERVICE AND CONTENT. The notice required under sub. (1) shall be mailed by certified mail, return receipt requested, to the borrower at his last known post office address and shall clearly and concisely disclose:

(a) The effective date of the increase.

(b) The increased interest rate and the extent to which the increased rate will exceed the interest rate in effect immediately before the increase.

(c) The amount of the borrower's contractual monthly principal and interest payment before and after the effective date of the increase, and any right of the borrower to voluntarily increase his contractual monthly principal and interest payment.

(d) Whether as a result of the increase a lump sum payment may be necessary at the end of the loan term.

(e) Whether an additional number of monthly payments may be required.

(f) The nonpenalty prepayment rights of the borrower under s. 215.21(3)(b) upon receiving notice under this section, and the termination date, if any, of such prepayment rights.

(3) EXCEPTIONS. This section does not apply to any interest rate increase occurring:

(a) In accordance with the terms of a note under S-L 8.01 (2); or

(b) As a direct consequence of an act or omission of the borrower.

SECTION 2. At the appropriate place in the schedule in S-L 13.01 (3), insert the following:

SCHEDULE 1SCHEDULE 2SCHEDULE 3S-L 13.01 RECORDS

(3) SCHEDULE FOR PRESERVATION OF SAVINGS AND LOAN ASSOCIATION RECORDS

A. Administration

6. Rejected loan applications	2 years	----	2 years
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SECTION 3. S-L 13.01 (4) is created to read:

S-L 13.01 (4) REJECTED LOAN APPLICATIONS TO BE RETAINED. An association shall retain, for a period of 2 years after the application has been submitted, a complete record of each loan application which has been rejected and the reason for its rejection, together with any other documents relating to the application. Records and documents retained under this subsection shall be maintained in an order which will reasonably enable an investigator receiving a complaint of lending discrimination in violation of state or federal law to locate all pertinent information.

SECTION 4. S-L 18.011 is repealed and recreated to read:

S-L 18.011 MAXIMUM TERM OF DIRECT REDUCTION LOANS. (1) DEFINITIONS. In this section:

(a) Direct reduction loan. "Direct reduction loan" means a loan made under s. 215.21 (6)(a), Wis. Stats.

(b) Maximum term. "Maximum term" means a term of 30 years commencing with:

1. The date of the first contractual payment;
2. The date of any additional advance;
3. The date of any properly executed loan modification agreement; or
4. The date of any interest rate increase under s. 215.21 (3)(b), Wis. Stats., or, in the case of a note under S-L 8.01 (2), any interest rate increase required by an index used as a reference to determine the interest rate in effect.

(2) MAXIMUM PERIOD OF LOAN AMORTIZATION; EXCEPTIONS. The contractual monthly payments on a direct reduction loan shall at all times be sufficient to

retire the loan within the maximum term, except:

(a) Payments after interest increase. If the interest rate on a direct reduction loan is increased during the term of the loan and the mortgage note does not require the borrower to make increased monthly payments which fully reflect such increase, an association may permit the borrower to make monthly payments in an amount not greater than those required immediately prior to such increase.

(b) Flexible payment mortgages. In the case of a direct reduction loan made for the construction or purchase of a single family dwelling unit to be occupied by the borrower as his residence, contractual payments may, for a period of not more than 5 years, be in an amount less than those required to retire the loan within the maximum term, provided:

1. The contractual payments during such period are sufficient to pay interest due for the payment period;
2. The remaining contractual payments will at all times be sufficient to retire the loan within the balance of the maximum term; and
3. The loan is written for a term of not less than 10 years.

SECTION 5. S-L 18.02 (2) (d) is repealed and recreated to read:

S-L 18.02 (2) (d) Loans to 100% of value. 1. Notwithstanding the loan limits prescribed in pars. (a) to (c), an association may make direct reduction loans of up to 100% of appraised value if:

a. The loan is made under the Housing Opportunity Allowance Program, 12 CFR 527;

b. An agency of this state or of the federal government has made a written commitment to indemnify the association for at least 90% of any loss the association may incur on the loan, and the association reasonably believes that any conditions upon which such commitment is based will be met; or

c. An agency of the federal government, or this state or of a political subdivision of this state has made a written commitment to purchase the loan or the property securing the loan, and the association reasonably believes that any conditions upon which such commitment is based will be met.

2. Loans made under this paragraph are not subject to mandatory additional security under s. S-L 18.10.

SECTION 6. S-L 18.12 (3) is repealed and recreated to read:

S-L 18.12 (3) LOANS OUTSIDE NORMAL LENDING AREA. (a) An association may purchase from an approved lender a participating interest in loans on property located beyond the association's normal lending area (as defined in section 215.21 (2), Wis. Stats.), provided the loan is not subject to S-L 18.13 or S-L 18.14.

(b) No loan in excess of 80% of appraised value may be purchased under this subsection unless it is:

1. Guaranteed or insured by an agency of this state or of the federal government; or
2. Collateralized under S-L 18.10.

(c) A participating interest in a loan may be sold by an association to purchasers located beyond the association's normal lending area.

(End)