

## COMMISSIONER OF CREDIT UNIONS

7

## Chapter CU 54

## REAL ESTATE MORTGAGES IN CREDIT UNIONS

CU 54.01	Limitation on real estate mortgages	CU 54.04	Required supporting data
CU 54.02	Monthly payment to include tax and insurance	CU 54.05	Subordinate real estate mortgages
CU 54.03	Appraisal of property	CU 54.06	First mortgages

**CU 54.01 Limitation on real estate mortgages.** Any credit union whose assets are in excess of \$500,000 may invest in real estate mortgage loans to members out of surplus funds only, subject to the following restrictions:

(1) The maximum individual loan shall be in ratio to total assets:

(a) Total assets of \$500,000 to \$750,000—Maximum Loan—\$12,500;

(b) Total assets of \$750,000 to \$1,000,000—Maximum Loan—\$15,000;

(c) Total assets of \$1,000,000 to \$1,500,000—Maximum Loan—\$20,000;

(d) Total assets of \$1,500,000 to \$2,000,000—Maximum Loan—\$25,000;

(e) Total assets of \$2,000,000 to \$3,000,000—Maximum Loan—\$30,000;

(f) Total assets of \$3,000,000 to \$4,000,000—Maximum Loan—\$35,000;

(g) Total assets of \$4,000,000 to \$5,000,000—Maximum Loan—\$40,000;

(h) Total assets of \$5,000,000 or over—Maximum Loan—\$50,000.

(2) The total aggregate of real estate mortgage loans shall not exceed:

(a) Total assets of \$500,000 to \$750,000—42½% of total assets;

(b) Total assets of \$750,000 to \$1,000,000—45% of total assets;

(c) Total assets of \$1,000,000 and over—50% of total assets.

(3) (a) All mortgage loans shall be limited in amount to a maximum of 80% of the appraised value, but shall not exclude premium for life insurance secured for the amount loaned.

(b) Credit unions with assets of \$1,000,000 or more may grant real estate mortgage loans within the limits of subsections (1) and (2) and in excess of 80% of the appraised value of the mortgaged property, but not more than 90% of the appraised value of the mortgaged property, provided this excess is insured by a private commercial mortgage guaranty insurance company.

(4) Such loans shall be made on improved real estate which is situated within the boundaries of the state of Wisconsin, or within a radius of 25 miles from the credit union office.

(5) (a) No real estate mortgage shall be made for a period in excess of 25 years and, at the discretion of the board of directors it may be amortized monthly by payments of principal and interest;

(b) A credit union may use an interest rate escalator clause to permit the credit union to increase or decrease the mortgage loan note interest rate within the amortization period of the real estate mortgage loan.

(6) A credit union may grant 2 real estate mortgage loans to any one member provided each real estate mortgage loan shall be within the limits of subsection (1). In the case of multiple unit properties, the requirements shall be the same as for single units.

(7) At the discretion of the board of directors, a credit union may grant real estate mortgage loans to its members for the purchase of a condominium. Such loans shall be considered the same as other real estate mortgage loans and must satisfy the requirements of chapter CU 54.

*History:* 1-2-56; am. (5), Register, January, 1960, No. 49, eff. 2-1-60; cr. (6), Register, May, 1962, No. 77, eff. 6-1-62; am. (1) (f), and cr. (1) (g), Register, December, 1966, No. 132, eff. 1-1-67; am. (8), Register, January, 1968, No. 145, eff. 2-1-68; am. (1) (g), cr. (h) and (i); renum. (3) to be (3) (a) and cr. (b); renum. (5) to be (5) (a) and am; cr. (b), Register, August, 1971, No. 188, eff. 9-1-71; renum. from Bkg 54.01 to be CU 54.01; am. (5), Register, August, 1972, No. 200, eff. 9-1-72; am. (6) and cr. (7), Register, July, 1973, No. 211, eff. 8-1-73; am. (intro. par.), (1), (2) and (6) (a), Register, May, 1975, No. 233, eff. 6-1-75; am. (3) (a) and (b), Register, May, 1977, No. 257, eff. 6-1-77.

**CU 54.02 Monthly payment to include tax and insurance.** (1) Each member shall, in addition to the required monthly payment, deposit with the credit union each month, a sum equal to 1/12 of the estimated annual tax plus 1/12 of the annual insurance premiums. Such deposits may receive interest payable at a rate not to exceed the maximum dividend rate paid on regular member passbook share accounts during that same period.

(2) A credit union may apply such receipts for insurance and taxes at the time of receipt as a reduction of the principal amount due on the real estate mortgage loan with the provision that the credit union will advance such funds for the payment of taxes and insurance when such payments become due and the amount of such payments shall then be added to the principal amount of the respective real estate loan.

(3) At the discretion of the board of directors, a credit union may require either subsections (1) or (2) or a combination of both for the accumulation of moneys for the payment of insurance and taxes.

(4) Providing authority to do so is contained in the credit union corporate minutes, the board of directors shall have discretionary authority of requiring or not requiring escrow accumulations by the member-borrower of monies necessary to pay the annual real estate taxes and annual insurance premiums on real estate mortgage loans secured from the credit union.

(5) Unless the real estate mortgage loan is in foreclosure by the credit union, the credit union may not charge the real estate mortgage loan for the payment of real estate taxes and insurance premiums in

excess of the amount accumulated in the escrow account by the borrower for that purpose at the credit union.

**History:** 1-2-56; renum. to be (1) and am.; cr. (2), Register, June, 1963, No. 90, eff. 7-1-63; renum. from Bkg 54.02 to be CU 54.02, and cr. (3). Register, August, 1972, No. 200, eff. 9-1-72; am. (1), Register, July, 1973, No. 211, eff. 8-1-73; cr. (4) and (5), Register, May, 1974, No. 221, eff. 6-1-74.

**CU 54.03 Appraisal of property.** (1) (a) All property on which real estate mortgage loans are made must be appraised by a certified appraiser; a licensed real estate broker; or by a person whose experience would indicate his competence to make appraisals for loan purposes. No appraiser shall be an officer, director or employee of the credit union for which the property is being appraised and no appraiser shall be directly or indirectly interested in any property appraised.

(b) Each appraisal report required by subsection (1) (a) submitted in support of an application for a real estate mortgage loan shall be accompanied by at least 3 photographs showing:

1. A front view of the building(s) on the property to be mortgaged and,

2. Photographs from the street in front of said property showing neighboring properties in each direction, to reflect the character of the area.

(2) Neutral appraisals shall not be required when the application for a mortgage loan is in an amount less than 50% of the current assessed tax value and such loan is supported by an appraisal by a committee representing the board of directors and/or credit committee.

(3) All appraisals shall indicate a sound value for loan purposes and the appraisal of land and improvements shall be indicated separately.

**History:** 1-2-56; cr. (5), Register, May, 1962, No. 77, eff. 6-1-62; renum. from Bkg 54.03 to be CU 54.03, Register, August, 1972, No. 200, eff. 9-1-72; am. (1), r. (4) and (5), Register, July, 1973, No. 211, eff. 8-1-73.

**CU 54.04 Required supporting data.** Each mortgage loan made by a credit union shall be supported by the following documents and information:

(1) The note properly executed and the mortgage instrument properly signed and recorded;

(2) Abstract of title or owner's title policy showing title in the borrower and the mortgage to the credit union or a mortgage policy in favor of the credit union;

(3) However, in the case of an abstract of title, an attorney's opinion indicating that the mortgage to the credit union is a first lien;

(4) As a minimum, fire and extended coverage insurance shall be carried in an amount equal to the amount of the loan or to the full, replacement value of the buildings;

(5) (a) Original or copies of insurance policies or a certificate of insurance required by subsection (4) must be on file and must contain a mortgage clause in favor of the credit union;

(b) At the discretion of the credit union board of directors and provided blanket permission to do so is included in the credit union minutes, "continuous" insurance or "insurance to be in effect until cancelled" policies are acceptable.

(c) If, at the inception of the real estate mortgage loan the credit union has evidence of insurance required by paragraph (a), thereafter, in lieu of subsequent evidence of individual insurance coverage, the credit union board of directors may contract for single-interest fire insurance and extended coverage protection in favor of the credit union; however, the premium costs thereof must be assumed by the credit union as an operating expense.

(6) The original or photostatic copy of receipts covering all previous real estate taxes on the mortgaged property paid since the previous examination or any other written evidence of the payment of said taxes acceptable to the board of directors provided that blanket permission to do so and the evidence acceptable is defined in the credit union corporate minutes.

(7) A signed appraisal containing the information required by section CU 54.03 (1), (2) and (3).

*History:* 1-2-56; cr. (8), Register, January, 1960, No. 49, eff. 2-1-60; am. (4), Register, June, 1963, No. 90, eff. 7-1-63; renum. from Bkg 54.04 to be CU 54.04 and am. (3), (7) and (8), Register, August, 1972, No. 200, eff. 9-1-72; am. (4), (5), (6) and r. (8), Register, July, 1973, No. 211, eff. 8-1-73.

**CU 54.05 Subordinate real estate mortgages.** (1) At the discretion of the board of directors and provided authority to do so is contained in the corporate minutes, a credit union may grant personal loans on the basis of primary or secondary collateral consisting of a subordinate real estate mortgage(s).

(2) Each personal loan made by the credit union when all or a portion of the collateral in support thereof consists of a subordinate real estate mortgage(s) shall be supported by the following documents and information:

(a) The note properly executed and the mortgage instrument properly signed and recorded;

(b) Reasonable yet authoritative written evidence establishing the credit union's priority of lien by one of the following:

(1) An abstract of title or an owner's title policy showing title in the borrower and the mortgage to the credit union;

(2) Or a mortgage policy in favor of the credit union;

(3) Or a "short form title search";

(4) Or a signed report by an attorney;

(5) Or the signed report of an officer, director, committee member or employe of the credit union who has been so designated by the board of directors;

(c) Reasonable yet authoritative written evidence of the fair market value of the property mortgaged to the credit union;

(d) Reasonable yet authoritative written evidence of the member borrower's equity in the property mortgaged to the credit union; that

is, the fair market value of the property less the outstanding balances of all prior liens.

History: Cr. Register, July, 1973, No. 211, eff. 8-1-73.

**CU 54.06 First mortgages.** (1) Subject to the requirements of subsection (2) and subsection (3) and provided authority to do so is contained in the credit union corporate minutes, the commissioner hereby grants authority to credit unions with assets of \$750,000 or more to grant personal loans for any purpose, including the purchase of improved or unimproved real estate on the basis of primary collateral consisting of a first mortgage on real estate.

(2) Each personal loan secured by a first mortgage on real estate shall be supported by the documents and information required for personal loans secured by subordinate real estate mortgages detailed in CU 54.05 (2).

(3) The maximum individual personal loan secured by a first mortgage on real estate shall be in ratio to the credit union assets and for a term of not more than ten years:

(a) Total assets of \$750,000 to \$1,000,000 Maximum loan—\$5,000

(b) Total assets of \$1,000,000 to \$2,000,000 Maximum loan—\$6,000

(c) Total assets of \$2,000,000 to \$3,000,000 Maximum loan—\$7,000

(d) Total assets of \$3,000,000 to \$4,000,000 Maximum loan—\$8,000

(e) Total assets of \$4,000,000 to \$5,000,000 Maximum loan—\$9,000

(f) Total assets of \$5,000,000 or more Maximum loan—\$10,000

(4) (a) Credit unions with assets of \$5,000,000 or more may grant personal loans for agricultural purposes in excess of \$10,000 secured with a first mortgage on the applicant's farm(s) and such loans shall be subject only to the requirements of CU 54.01 (4), CU 54.03 and CU 54.04.

(b) With the prior written approval of the commissioner, credit unions with assets of less than \$5,000,000 may grant personal loans for agricultural purposes in excess of \$10,000 subject to the requirements contained in paragraph (a).

History: Cr. Register, May, 1975, No. 233, eff. 6-1-75.