



CR 94-169

Tommy G. Thompson
Governor

Harold N. Lee, Jr.
Commissioner

J. David Christenson
Deputy Commissioner

4785 Hayes Road, Suite 202 • Madison, Wisconsin 53704-7365 • (608) 242-2180 • FAX# (608) 242-2187

March 10, 1995

Representative Dean Kaufert Chair
Assembly Financial Institutions Committee
Room 420 North State Capitol
Madison WI

Senator Alberta Darling
Senate Education and Financial
Institutions Committee
35 South State Capitol
Madison WI

Dear Representative Kaufert and Senator Darling:

Under date of February 3, I delivered to the presiding officer in each house of the legislature a "Notice to the Presiding Officer of Each House of the Legislature Under s. 227.19(2), Stats.". This notice pertained to Clearinghouse Rule 94-169, relating to authorizing savings banks to invest their funds in specified financial products.

At the March 1, 1995 public hearing of the Assembly Financial Institutions Committee, some concerns were raised about the rule's language. I hereby respectfully withdraw the rule from your committees and the legislature so that I may consider clarifying the rule's language.

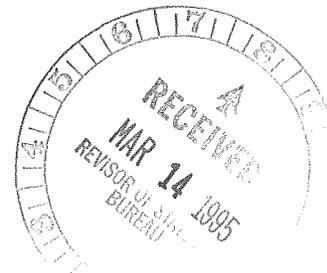
I hope this has not caused you any inconvenience. Thank you for your courtesy.

Sincerely,


Harold N. Lee, Jr.
Commissioner

HNL/k

cc: Revisor of Statutes





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August 11, 1995

Gary Poulson
Assistant Revisor of Statutes
131 W Wilson St
Madison WI 53703

Dear Mr. Poulson:

Enclosed is a page captioned "Typographical corrections to S-L Administrative Code and updating NOTES". As your agency re-formats the administrative rules for savings and loan associations, would you please include these corrections and updates to "NOTES"?

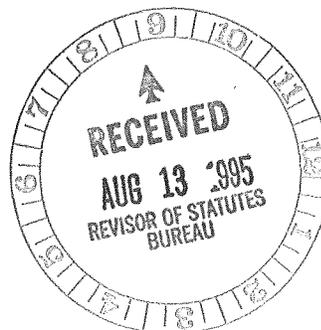
Thank you for your courtesy and cooperation.

Sincerely,

Harold N. Lee, Jr.
Commissioner

HNL/k

Enclosure





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Typographical corrections to S-L Administrative Code and updating NOTES.

- 1) On page 15, in the Note following s. S-L 6.03, delete the telephone number and substitute "578-1300".
- 2) On page 22, in s. S-L 9.03, after the intro., delete "Article 9" and substitute "Article 8".
- 3) On page 27, in bylaw s. 6.01, after the title delete the semi-colon and substitute a period.
- 4) On page 31, in bylaw s. 11.01(1), after the title, delete "the" and substitute "The".

8/7/95
OCS&L:TMB



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

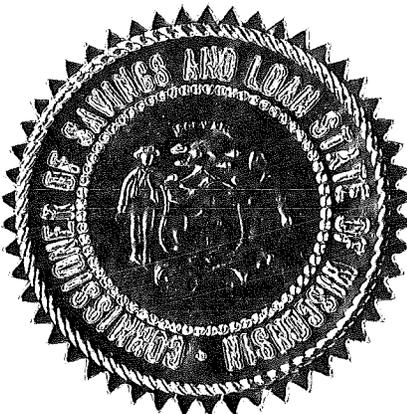
CERTIFICATE

I, Harold N. Lee, Jr., Commissioner of Savings and Loan and custodian of the official records of the Office of the Commissioner of Savings and Loan, do hereby certify that the annexed rule relating to authorizing savings banks to invest their funds in specified financial products was duly approved by me on November 2, 1995.

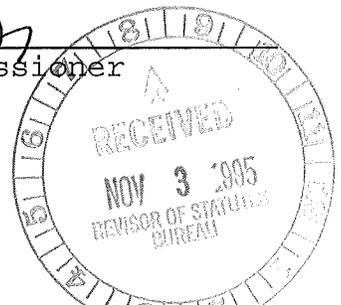
This rule shall become effective on the first day of the month following its publication in the Wisconsin Administrative Register, pursuant to s. 227.22(2) (intro.), Stats.

I further certify that this copy of the rule has been compared by me with the original on file in this office and that it is a true copy of the whole original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Office of the Commissioner of Savings and Loan this 2nd day of November, 1995.



Harold N. Lee, Jr.
 Harold N. Lee, Jr., Commissioner





ORDER OF THE
OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN
CREATING A RULE

Relating to authorizing savings banks to invest their funds in specified financial products.

Analysis Prepared by the
Office of the Commissioner of Savings and Loan

Under s. 214.49, Stats., savings banks are authorized to invest their funds in specified ways. Section 214.49(15), Stats. provides that savings banks may invest in "any other investment authorized by rule of the commissioner" of savings and loan. This rule authorizes some other investments.

Section 214.545, Stats., directs the commissioner to promulgate rules which determine permissible levels of investment and permissible concentrations of assets. This rule establishes several such standards and requires the commissioner's approval on a case-by-case basis for some investments.

This rule authorizes savings banks to invest their funds in mutual funds; collateralized mortgage obligations; real estate mortgage investment conduits; mortgage backed securities; mortgage backed debt; non-mortgage derivative products and contracts (including interest rate swaps); loan-backed securities; and industrial development revenue bonds. All of these investments are currently authorized for savings and loan associations which are regulated by the commissioner.

RULE
AUTHORIZED INVESTMENTS BY SAVINGS BANKS

SECTION 1. SB 16.03 is created to read:

SB 16.03 AUTHORIZED INVESTMENTS. (s. 214.49(15), Stats.). A savings bank may invest its funds in the following: (1) MUTUAL FUNDS. Shares of an open-end investment company, commonly known as a "mutual fund", but limited to 5% of a savings bank's total assets in any one company. The open-end investment company shall be registered with the federal securities and exchange commission and an individual fund's portfolio shall consist of obligations that are eligible for direct purchase by a savings bank. However, a savings bank may purchase, with the prior written approval of the commissioner, an investment in an open-end investment company containing mortgage-backed, asset-backed or other derivative products. The savings bank shall monitor the open-end investment company's portfolio on a quarterly basis to determine whether an appropriate level of obligations that are eligible for direct purchase by a savings bank is maintained.

NOTE: This language parallels the authority of federal savings and loan associations and savings banks in 12 CFR s. 545.76.

(2) COLLATERALIZED MORTGAGE OBLIGATIONS AND REAL ESTATE MORTGAGE INVESTMENT CONDUITS. A collateralized mortgage obligation and a real estate mortgage investment conduit issued by a state or federal agency or by a private issuer. In acquiring and retaining the security, a savings bank shall comply with the federal financial institutions examination council's "Statement of Policy on Securities Activities" originally issued on January 10, 1992 and revised on April 15, 1994. Collateralized mortgage obligations and real estate mortgage investment conduits issued by a private issuer shall be rated in one of the 2 highest categories by a nationally recognized rating service. The maximum purchase of any one private issue is limited to the greater of \$1,000,000 or one percent of a savings bank's total assets. A savings bank may invest in stripped mortgage backed securities or residuals with the prior written approval of the commissioner.

NOTE: This language parallels the authority of federal savings and loan association and federal savings banks in 12 USC 1464(5)(c)(1)(R) except the last sentence which codifies agency policy.

The FFIEC "Statement of Policy on Securities Activities" is set forth in FDIC; Law, Regulations and

Related Acts (vol. 2, page 5293) and in the Federal Guide (vol. 2, para. 28,499). A copy may be obtained from the commissioner upon request.

(3) MORTGAGE BACKED SECURITIES; MORTGAGE BACKED DEBT. Mortgage backed securities and mortgage backed debt issued by a state or federal agency or by a private issuer. The underlying mortgage loans shall be secured by owner-occupied, one to 4 unit dwellings. Private issues of these securities must be rated in one of the 2 highest categories by a nationally recognized rating service. The maximum purchase of any one private issue is limited to the greater of \$1,000,000 or one percent of a savings bank's total assets.

NOTE: This language parallels the authority of federal savings and loan associations and savings banks in 12 USC 1464(5)(c)(1)(R) except the last sentence, which codifies this agency's policy.

(4) NON-MORTGAGE DERIVATIVE PRODUCTS AND CONTRACTS. Non-mortgage derivative products and contracts, including interest rate swaps with the prior written approval of the commissioner. Contracts must be U.S. dollar denominated and used for the express purpose of reducing, hedging or managing interest rate risk .

NOTE: This parallels agency policy for this type of investment for savings and loan associations.

(5) LOAN-BACKED SECURITIES. Securities backed by commercial or consumer loans or loan receivables. If the security is issued by a private source, the security shall be rated in one of the 2 highest categories by a nationally recognized rating service. Privately issued securities are also limited to 10% of unimpaired surplus of a savings bank in any one issuer and aggregate limitations are limited to 10% of total assets of a savings bank when combined with other commercial or consumer loans unless a greater amount is authorized by prior written approval of the commissioner.

NOTE: This parallels authority in 12 USC 1464(5)(c)(z). The last sentence parallels s. 214.485(9), Stats.

(6) INDUSTRIAL DEVELOPMENT REVENUE BONDS. Industrial development revenue bonds issued under s. 66.521, Stats. The bonds shall be secured by a mortgage or security interest in the project and the bond indebtedness may not exceed 75% of the appraised value of the project. Revenues of the project shall be pledged to repay bond interest and principal. The repayment of the bonds shall be guaranteed by an insurance company or financial institution with

demonstrated financial ability to repay the liability.

NOTE: This parallels the long standing agency policy for savings and loan associations.

SECTION 2. EFFECTIVE DATE. Under s. 227.22(2), Stats., this rule takes effect on the first day of the month following its publication in the Wisconsin Administrative Register.

OCS&L

8/28/95

Fiscal estimate. This rule will have no fiscal impact on the office of the commissioner of savings and loan. It will be administered by existing personnel and with existing resources under the agency's current operating budget.

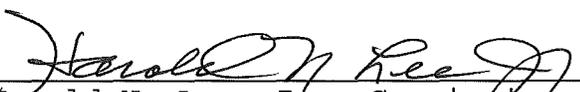
Small business flexibility statement. This rule will equally apply to all savings banks, including those covered by the definition of "small business" under s. 227.114(1)(a), Stats. This agency believes that none of the methods in s. 227.114(2), Stats., for reducing the impact of the rule on any savings bank which may fall under the definition of "small business" would be feasible. Doing so would be contrary to the overriding and contrary statutory objectives of ch. 214, Stats., of assuring the stability, safety and soundness of all savings banks established and regulated under ch. 214, Stats.

Pursuant to the authority vested in the commissioner of savings and loan by s. 214.49(15) and 214.545, Stats., the commissioner hereby adopts s. SB 16.03, relating to authorizing savings banks to invest their funds in specified financial products.

Dated: November 2, 1995

Attachments

OFFICE OF THE
COMMISSIONER OF SAVINGS AND LOAN



Harold N. Lee, Jr., Commissioner



Tommy G. Thompson
Governor

Harold N. Lee, Jr.
Commissioner

J. David Christenson
Deputy Commissioner

4785 Hayes Road, Suite 202 • Madison, Wisconsin 53704-7365 • (608) 242-2180 • FAX# (608) 242-2187

November 2, 1995

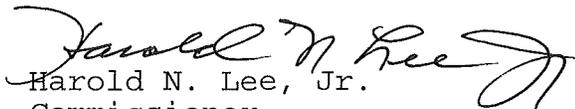
Bruce Munson
Revisor of Statutes
131 W Wilson St 9th Floor
Madison WI 53702

Douglas J LaFollette
Secretary of State
30 W Mifflin St 9th Floor
Madison WI 53702

Gentlemen:

Pursuant to s. 227.20(1), Stats., enclosed is a certified copy of an administrative rule adopted by the Office of the Commissioner of Savings and Loan and a "Certificate" and "Order" relating to it. This rule is Clearinghouse Rule 94-169, relating to authorizing savings banks to invest their funds in specified financial products.

Sincerely,


Harold N. Lee, Jr.
Commissioner

HNL/k

Enclosures

