

Chapter S-L 24

OTHER LOANS AND INVESTMENTS

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**S-L 24.01 Housing project loans.** Under the permissive authority of section 215.205 (2), Wis. Stats., any association may make housing project loans, purchase housing project loans or purchase interests in housing project loans, provided such housing project loans are guaranteed under sections 221 or 224 of the foreign assistance act of 1961, as now or hereafter in effect.

**History:** Cr. Register, December, 1969, No. 168, eff. 1-1-70.

**S-L 24.02 Housing and urban development loans.** Under the permissive authority of section 215.205 (3), Wis. Stats., any association may make housing and urban development loans, purchase housing and urban development loans or purchase interests in housing and development loans, providing such housing and urban development loans are guaranteed under title IV of the housing and urban development act of 1968, as now or hereafter in effect.

**History:** Cr. Register, December, 1969, No. 168, eff. 1-1-70.

**S-L 24.03 Urban renewal area loans.** Under the permissive authority of section 215.205 (5), Wis. Stats., any association may make urban renewal area loans, purchase urban renewal area loans or purchase interests in urban renewal area loans, the urban renewal areas being as defined in the national housing act of 1949, as now or hereafter in effect, provided, however, that the real estate securing said urban renewal area loans is located within the association's lending area.

**History:** Cr. Register, December, 1969, No. 168, eff. 1-1-70.

**S-L 24.04 Purchase of real estate in urban renewal areas.** Notwithstanding the provisions of section 215.13 (42), Wis. Stats., and chapter S-L 22, Wis. Adm. Code, relating to purchase of real estate, any association may, under the permissive authority of section 215.205 (5), Wis. Stats., purchase real estate in urban renewal areas or interests in urban renewal area real estate, said urban renewal areas as being defined in the national housing act of 1949, as now or hereafter in effect, and located within the association's lending area.

**History:** Cr. Register, December, 1969, No. 168, eff. 1-1-70.

**S-L 24.05 Short term loans to supervised financial institutions or registered security brokers and dealers.** Under the permissive authority of section 215.205 (4), Wis. Stats., any association may make loans to financial institutions supervised by the United States or any instrumentality or agency thereof, or to securities dealers or secu-

rities brokers registered with the securities and exchange commission, for a period of not more than 10 days, evidenced by a note or other evidence of indebtedness from the borrower, supported by a statement that the proceeds of said loan are secured by loans, obligations or investments in which it has any statutory authority to invest directly.

**History:** Cr. Register, December, 1969, No. 168, eff. 1-1-70.

**S-L 24.06 Service corporations.** (1) **GENERAL.** Subject to the provisions of this section, savings and loan associations may invest, pursuant to subsection 215.13 (26) (f), Wis. Stats., in savings and loan service corporations. All prerequisites for approval of investment in a first level service corporation are equally applicable to subsidiaries of such corporations.

(2) **DEFINITIONS.** (a) "Savings and loan service corporation" means a corporation organized under chapter 180, Wis. Stats., the stock of which corporation is owned exclusively by one or more savings and loan associations with home offices in Wisconsin or by subsidiaries of such corporations.

(b) "Investment" means money advanced, directly or indirectly, by a savings and loan association to a service corporation for capital stock, obligations or other securities, excluding mortgage loans made in accordance with section 215.21, Wis. Stats.

(c) "Joint venture" means an affiliation of two or more parties for the purpose of carrying out a single business enterprise for profit, for which purpose they combine their property, money, effects, skill, and knowledge.

(3) **APPROVAL BY THE COMMISSIONER.** A savings and loan association may invest under the provisions of this section only with the prior written approval of the commissioner. Such investment shall not be approved unless:

(a) The purposes or activities of the corporation are acceptable to the commissioner; and

(b) The request for approval of investment is accompanied by certified copies of the service corporation's Articles of Incorporation and Bylaws; and

(c) The service corporation executes an agreement whereby it agrees to be audited by a certified public accountant at least once each fiscal year, and to cause said accountant to deliver a copy of his certified statement to the commissioner simultaneously with the delivery of the statement to the service corporation, and

(d) The service corporation executes an agreement whereby it agrees to file such reports as the commissioner may request and to submit to examination from time to time by the commissioner's office and to pay the expense of such examinations and audits; and

(e) All other provisions of this section have been met.

(4) **SERVICE CORPORATION ACTIVITIES.** (a) All types of activities to be performed by a savings and loan service corporation shall be approved by the commissioner prior to commencement.

(b) All approvals of service corporation activities granted prior to the effective date of section S-L 24.06, Wis. Adm. Code, shall be

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void as of such effective date unless such activity has actually commenced. Any service corporation which as of the effective date was engaged in an activity approved by the commissioner may continue such activity, provided it is engaged in on a continuing basis, and prior to performing any such previously approved activity which was not undertaken or which was discontinued, a service corporation shall apply to the commissioner for specific authorization for such activity and shall not perform such activity until such approval is received.

(c) The commissioner shall authorize only those activities which he has reason to believe will be commenced within a reasonable period of time.

(5) INVESTMENT AND MORTGAGE LOAN LIMITATIONS. (a) The maximum aggregate of investments and mortgage loans of an association in savings and loan service corporations in which it holds capital stock shall not exceed 1% of the total assets of the association unless specifically authorized by the commissioner, but in no event shall the aggregate of such investments and mortgage loans to service corporations in which it holds stock, directly or indirectly, exceed 5% of such assets.

(b) The commissioner may, for good and sufficient reason restrict, limit or prohibit any association's investing in or lending to service corporations.

(6) SERVICE CORPORATION DEBT. (a) Debt owed by a service corporation to associations which hold stock, directly or indirectly, in such corporation shall not, when added to the acquisition cost of the corporation's stock, exceed 5% of the aggregate assets of the associations holding the capital stock.

(b) Unsecured debt owed by a service corporation to parties other than associations holding stock, directly or indirectly, in such corporation shall not, without the prior approval of the commissioner, exceed the lesser of (1) an amount equal to the aggregate investment by associations holding stock in the service corporation, or (2) 1% of the aggregate assets of those associations which hold stock in the corporation.

(c) If any association obligates itself in any way for the direct or contingent payment of a service corporation's debt, the amount of such obligation shall be included in the association's investment and mortgage loan limitation.

(d) No officer, director or employee of a service corporation or association shall co-sign or otherwise become obligated for the payment of any service corporation debt.

(7) EXCEPTION. With the prior written consent of the commissioner, the provisions of subsections (5) and (6) shall not be applicable to any service corporation if the capital stock of the corporation is available solely for purchase on a uniform and equitable basis by all associations with home offices in this state, and if no association owns more than 10% of the outstanding capital stock of such corporation.

(8) JOINT VENTURES. (a) All proposed joint ventures by savings and loan service corporations shall be presented to the commissioner for review prior to commencement. The commissioner shall have 15

business days from receipt in which to request additional information or take objection to the proposal. If the commissioner has taken no action within the allotted period the service corporation may proceed with the joint venture.

(b) The fact that the commissioner takes no supervisory objection to a joint venture shall not be construed as an approval of such venture, and a joint venture must conform to all applicable requirements of this section.

(c) No service corporation shall enter into a joint venture with an officer, director or employee of any savings and loan association or of any service corporation or with an organization other than a service corporation with which such person is affiliated without the prior approval of the commissioner.

(9) **DIVESTITURE.** Whenever an association or a service corporation is found to be in violation of section 24.06 or chapter 21, Wis. Adm. Code, or such other directives or guidelines as the commissioner shall adopt regarding investments in and loans to service corporations, the commissioner may issue an order to the parent association directing it to correct any violations on its part or to direct the service corporation to correct any violation on its part. The association or the service corporation shall have 60 calendar days unless further extended by the commissioner within which to comply with the commissioner's order. Prior to compliance the commissioner may require that a specific reserve be established in an amount not in excess of the greater of (1) the association's investment, or (2) the total amount of all losses which can reasonably be anticipated in connection with the investment.

**History:** Cr. Register, August, 1973, No. 212, eff. 9-1-73.