



1997 ASSEMBLY BILL 797

February 19, 1998 - Introduced by Representatives WARD, KLUSMAN, WILLIAMS, TURNER, GRONEMUS, STASKUNAS, BRANDEMUEHL, MEYER, KUNICKI, TRAVIS, KRUSICK, PORTER, HASENOHRL, CARPENTER, VANDER LOOP, RYBA, LA FAVE and HOVEN, cosponsored by Senators C. POTTER and GROBSCHMIDT. Referred to Committee on Financial Institutions.

1 **AN ACT to consolidate, renumber and amend** 214.715 (4) (a) and (b) and
2 215.03 (7) (a) and (b); **to amend** 214.485 (8), 214.485 (9), 214.49 (14) and 215.50
3 (7); and **to create** 214.485 (11), 214.502 and 215.215 of the statutes; **relating**
4 **to:** investment and lending powers of savings institutions, the location of
5 savings institution offices and the power of boards of directors of savings and
6 loan associations to provide for pension and deferred compensation plans.

Analysis by the Legislative Reference Bureau

This bill makes several changes in the authority granted to savings and loan associations and savings banks ("savings institutions") to make loans and investments and to maintain offices. Certain changes made by the bill affect only savings banks, others affect only savings and loan associations and still others apply to all savings institutions.

SAVINGS BANKS AND SAVINGS AND LOAN ASSOCIATIONS

1. Home offices and branch offices. Under current law, a savings institution that intends to move its home office or a branch office to another location may apply to the division for permission to relocate, if it is relocating no more than one mile away from its current location. Current law requires that the division provide notice and an opportunity for hearing on the application to relocate. This bill repeals the one-mile limitation and the requirement that the division provide notice and opportunity for hearing on a relocation application.

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2. Nonconforming loans. Under current law, loans made by savings institutions are required to meet certain requirements relating to underwriting criteria for loans, to appraisals of property pledged as security for loans and to the permissible term of loans. This bill notwithstanding these provisions to permit savings institutions to make loans secured by real property that is used primarily for residential or farming purposes, even if these requirements are not met (nonconforming loans). The bill permits savings institutions to make nonconforming loans if the total amount of a savings institution's nonconforming loans does not exceed 5% of its total assets.

SAVINGS BANKS

1. Commercial loans. Under current law, a savings bank may make secured or unsecured loans for business, corporate, commercial or agricultural purposes, if the total amount of these types of loans does not exceed 10% of the savings bank's total assets. This bill amends this provision to grant the division of savings and loan (the division) in the department of financial institutions the authority to allow a bank to exceed this limit with its written authorization. In addition, the bill amends the provision so that a savings bank may make these types of loans without the division's written authorization, if the total amount of these loans does not exceed 20% of the savings bank's total assets.

2. Personal loans. Under current law, a savings bank may make secured or unsecured loans for personal, family or household purposes if the total of all loans granted does not exceed 10% of the savings bank's total assets. This bill increases this percentage limit from 10% to 20% and grants the division the authority to allow a savings bank to exceed the limit with its written authorization.

3. Credit card loans. Under current law, savings banks may make loans for a variety of specified purposes and for any other purpose authorized by rule of the division. This bill amends the provisions regarding the lending powers of savings banks to specifically authorize a savings bank to make loans through credit cards or credit card accounts.

4. Marketable investment securities. Under current law, savings banks may invest in marketable investment securities, if the total amount of these securities of any one issuer or obligor does not exceed 5% of the savings bank's capital and if the aggregate amount of these securities does not exceed 15% of the savings bank's capital. This bill replaces the 5% limit on securities of any one issuer or obligator with a 10% limit. The bill also replaces the overall limit of 15% of the savings bank's capital with a limit of 10% of the savings bank's total assets. The bill permits the savings bank to exceed this limit with written authorization from the division. Finally, the bill amends this provision to specify that marketable investment securities include marketable corporate debt instruments that are rated in one of the 4 highest categories by a nationally recognized rating service.

SAVINGS AND LOAN ASSOCIATIONS

Under current law, the board of directors of a savings and loan association may, by resolution, create a fund or join a pension system or enter into deferred compensation agreements for the retirement of its officers and employees, subject to specific, prior approval of both the division and the savings and loan review board.

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This bill eliminates the requirement of specific, prior approval by the savings and loan review board.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 214.485 (8) of the statutes is amended to read:

2 214.485 **(8)** Through secured or unsecured loans for business, corporate,
3 commercial or agricultural purposes if Unless a greater amount is authorized in
4 writing by the division, the total of all loans granted under this subsection ~~does~~ may
5 not exceed ~~10%~~ 20% of the savings bank's total assets, ~~unless a greater amount is~~
6 authorized in writing by the division.

7 **SECTION 2.** 214.485 (9) of the statutes is amended to read:

8 214.485 **(9)** Through secured or unsecured loans for personal, family or
9 household purposes if the total of all loans granted under this subsection does not
10 exceed ~~10%~~ 20% of the savings bank's total assets, unless the division grants written
11 authorization for the savings bank to grant loans under this subsection in a greater
12 amount.

13 **SECTION 3.** 214.485 (11) of the statutes is created to read:

14 214.485 **(11)** For loans made through credit cards or credit card accounts.

15 **SECTION 4.** 214.49 (14) of the statutes is amended to read:

16 214.49 **(14)** In marketable investment securities, including marketable
17 corporate debt instruments rated in one of the 4 highest categories by a nationally
18 recognized rating service, if the total amount of those securities of any one issuer or
19 obligor does not exceed ~~5%~~ 10% of the savings bank's capital and the The aggregate
20 amount of investments under this subsection ~~does~~ may not exceed ~~15%~~ of capital 10%

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1 of the savings bank's total assets, unless the savings bank has received written
2 authorization from the division.

3 **SECTION 5.** 214.502 of the statutes is created to read:

4 **214.502 Nonconforming loans.** Notwithstanding ss. 214.48 (3), (4) and (4m)
5 and 214.485 (2) (a) and (d), a savings bank may make loans secured by real property
6 used primarily for residential or farming purposes , even if those loans do not comply
7 with one or more of the requirements under those provisions, if the total amount of
8 loans made under this section does not exceed 5% of the savings bank's total assets.

9 **SECTION 6.** 214.715 (4) (a) and (b) of the statutes are consolidated, renumbered
10 214.715 (4) and amended to read:

11 214.715 (4) A savings bank that intends to move its home office or a branch
12 office to some other location not more than one mile from its current location shall
13 make an application to the division. ~~The division may approve or deny the~~
14 ~~application for relocation.~~ (b) A savings bank that intends to move its home office
15 or a branch office to some other location more than one mile from its current location
16 shall make an application to the division. ~~The division shall give notice and provide~~
17 ~~an opportunity for hearing as provided in s. 214.26 (3) to (5).~~ In approving or denying
18 the application for relocation, the division shall determine the need for relocation
19 and determine whether undue harm or injury would be caused to any savings bank
20 doing business in the area or vicinity of the proposed relocation.

21 **SECTION 7.** 215.03 (7) (a) and (b) of the statutes are consolidated, renumbered
22 215.03 (7) and amended to read:

23 215.03 (7) Any association which determines to move its home office or a
24 branch office to some other location ~~not more than one mile from its then location~~
25 shall make an application to the division. ~~The division may approve or deny such~~

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1 application for relocation. ~~(b) Any association which determines to move its home~~
2 ~~office or branch to some other location more than one mile from its then location shall~~
3 ~~make an application to the division. The division shall give notice and provide an~~
4 ~~opportunity for hearing as provided in s. 215.40 (7).~~ In approving or denying the
5 application for relocation, the division shall ascertain the need for relocation and
6 determine whether undue harm or injury would be caused to any properly conducted
7 association or branch now doing business in the area or vicinity of the proposed
8 relocation.

9 **SECTION 8.** 215.215 of the statutes is created to read:

10 **215.215 Nonconforming loans.** Notwithstanding ss. 215.19 (2) and 215.21
11 (1), (16) and (18), an association may make loans secured by real property used
12 primarily for residential or farming purposes, even if those loans do not comply with
13 one or more of the requirements under those provisions, if the total amount of loans
14 made under this section does not exceed 5% of the association's total assets.

15 **SECTION 9.** 215.50 (7) of the statutes is amended to read:

16 215.50 (7) DIRECTORS TO FIX COMPENSATION. The compensation of officers,
17 directors, employes and committee members shall be fixed by a majority vote of the
18 board of directors in accordance with the bylaws. In addition, the board of directors
19 may, by resolution, create a fund or join a pension system or enter into deferred
20 compensation agreements for the retirement of its officers and employes, subject to
21 specific, prior approval of the division and the review board.

22 **SECTION 10. Initial applicability.**

