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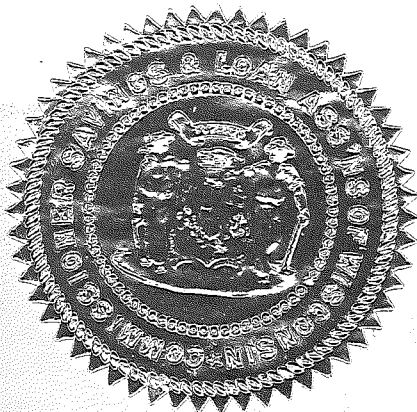
Savings and Loan Department

STATE OF WISCONSIN)
 DEPARTMENT OF SAVINGS AND LOAN) SS

I, JOHN W. CLEARY, Commissioner of Savings and Loan Associations, and Custodian of the official records of the Savings and Loan Department, do hereby certify that the annexed Order No. 49, amending Section S-L 11.02(2) and creating Chapter S-L 20, captioned, "REAL ESTATE OWNED", of the Rules of the Savings and Loan Department, Wisconsin Administrative Code, was adopted by the Savings and Loan Commissioner on May 14, 1964, and approved by the Savings and Loan Advisory Committee on May 14, 1964, after a public hearing held on May 14, 1964.

I further certify that publication of the Annexed Order No. 49 will be made in the Wisconsin Administrative Register of June 1964, No. 102, and that the subject matter contained in said Order No. 49 of the Rules of the Savings and Loan Department, Wisconsin Administrative Code, will become effective July 1, 1964.

I further certify that said copy has been compared by me with the original on file in this Department 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 Department, located in Room 561, Hill Farm State Office Building, 4802 Sheboygan Avenue, in the City of Madison, this 26th day of May, 1964.

John W. Cleary
 John W. Cleary
 Commissioner

SAVINGS AND LOAN DEPARTMENT
STATE OF WISCONSIN

ORDER NO. 49

IN THE MATTER of prescribing Rules and Regulations, pursuant to authority contained in Section 215.02(12)(a), Chapter 315, Laws of 1963, Wisconsin Statutes, for conducting the business of Savings and Loan Associations operating under Chapter 215, Wisconsin Statutes.

WHEREAS, one of the associations, chartered and supervised by this Department, does not accept payments on savings accounts from the general public, and as such has received relief from certain restrictions by law as to its manner of earnings distribution, and

WHEREAS, it is in the best interests of this association, the majority of whose capital is owned by the employes of a public utility, to enjoy relief from the restriction contained in subsection S-L 11.01(2) which prescribes the declaration of only one rate of earnings distribution, and

WHEREAS, the present Rules of the Savings and Loan Department, Wis. Adm. Code, contains no regulation pertaining to real estate operations and disposition thereof, and

WHEREAS, it is in the interest of the public that the Commissioner of Savings and Loan Associations prescribe reasonable rules and regulations concerning the operations and disposition of real estate owned by savings and loan associations.

NOW, THEREFORE, IT IS ORDERED:

SECTION 1. That subsection S-L 11.01(2), Wis. Adm. Code be amended by adding the following sentence thereto:

"The restriction of this subsection is not applicable to savings and loan associations, the majority of whose capital is owned by the employes of a public utility."

SECTION 2. That Chapter S-L 20, captioned "REAL ESTATE OWNED", be created to read as:

S-L 20.01 REAL ESTATE OWNED

(1) Opinions of Title

On all real estate acquired by the association, the association's attorney shall examine such abstracts of title and in writing advise the association that it has good and merchantable title. In lieu of opinions of title secured from abstracts, title policies guaranteeing good and merchantable title in the name of the association shall be obtained. A binder or commitment to insure from the title company to guarantee title to a future owner will also be acceptable.

(2) Appraisal

After a parcel of real estate is acquired, the association shall have the property appraised by an approved appraiser, as defined in subsec. S-L 18.05(1)(a), Wis. Adm. Code. The appraiser making this appraisal shall not be the same appraiser who appraised the real estate security when the original mortgage loan was granted. In addition to determining the then value of the property, the appraisal report shall also contain:

- (a) Present condition of the property and repairs necessary to put the property into a salable condition, and the appraised value of the property after such repairs were made.
- (b) Number of rental units and monthly rents.
- (c) Condition of the neighborhood.

(3) Board Action Upon Receipt of Appraisal

Upon receipt of the appraisal report of the property acquired, the association's board of directors may, or upon order of the Commissioner

shall, write down the parcel of real estate to the appraised value if the book value of the property exceeds the appraised value, and charge such loss to either the Legal Reserve, Federal Insurance Reserve, Bad Debt Reserve, Special Bad Debt Reserve or any other association reserve.

(4) Sales Price

Upon receipt of the appraisal report of the property acquired, the association's board of directors shall:

- (a) Establish a sale price on the property in order to enable disposition thereof by such means as the board of directors determines.
- (b) In the event the property is not sold within one year, the board of directors shall have the property appraised each year. If subsequent appraisals show the appraised value to be less than the book value of the property, such parcel may be written down in the manner prescribed in subsec. (3) above. The board shall reconsider the sales price after each such appraisal to effect the disposition of such property.
- (c) The action taken by the board of directors, as required in subsec. (3) and pars. (a) and (b) above, shall be recorded in the corporate minutes.

(5) Records of Income and Expenses

A separate income account and a separate expense account shall be maintained on each parcel of real estate acquired in order to enable management to ascertain the operational results from each parcel of real estate.

(6) Employment of Real Estate Management Companies

The employment of a real estate property management firm for a

fee is authorized on properties that have unique operational and personnel problems, when so determined by the association's board of directors. In the event that the board of directors determines to use the services of a property management firm, then the contract for such services between the property management firm and the association shall provide that at the end of each month, the property management firm will submit to the association a statement of gross rents, disbursements and net unremitted collections; and that a complete remittance of net operating proceeds by the property management firm to the association shall be made at least semi-annually at such dates as may be designated. From the monthly statement of gross rents, disbursements and unremitted receipts, the association shall make appropriate recordings of such data to the real estate income, real estate expense records and to such other suspense accounts, described in subsec. (4) above.

(7) Affiliated Real Estate Management Companies

With prior approval of the Commissioner, the creation of an affiliated, nonstock, real estate management company, under the provisions of Chap. 181, Wis. Stats., is authorized. Such affiliated, nonstock, real estate management company shall be organized for the sole purpose of managing part or all of the real estate acquired by the association, and its officers and directors shall be officers and directors of the association. Any affiliated real estate management company shall be subject to a regular supervisory examination at the time the savings and loan association is being examined by the Savings and Loan Commissioner. An affiliated management company will render its management services only on such properties that the board of directors have determined to have unusual operational or personnel

problems. The affiliated management company shall enter into an agreement with the association stating that, at the end of each month, it will submit to the association a statement of gross rents, disbursements and net unremitted collections; and that it will make a complete remittance of net operating proceeds to the association at least semi-annually at such dates as may be designated. From the monthly statement of gross rents, disbursements and unremitted receipts, the association shall make appropriate recordings of such data to the real estate income, real estate expense records and such other suspense accounts as described in subsec. (4) above.

(8) Sales of Real Estate

- (a) All real estate sales shall be made at such prices as determined by the board of directors.
- (b) Each real estate sale and the terms thereof shall be recorded in the corporate minutes.
- (c) Real estate sold under land contract must be sold on terms that provide for full amortization of the balance in not more than 30 years.
- (d) Real estate sold under a purchase money mortgage shall be subject to the maximum loan ratios set forth in Sec. S-1 18.02, Wis. Adm. Code, and the 30 year amortization restriction prescribed in Sec. 215.21(5), Wis. Stats.
- (e) The interest rate on real estate contracts and purchase money mortgage loans, resulting from sales of real estate, shall be not less than the current earnings distribution rate.
- (f) Sale of real estate to officers, directors and employes of an association or to the members of their immediate families must

have prior approval of the savings and loan commissioner.

IT IS FURTHER ORDERED, That Order No. 49 shall become a part of the Rules of the Savings and Loan Department, Wisconsin Administrative Code, effective the 1st day of the month following publication thereof in the Wisconsin Administrative Register, after a public hearing thereon in accordance with the provisions of Chap. 227, Wisconsin Statutes.

Dated this 26th day of May, 1964.



John W. Cleary
Commissioner

This Order was approved by the Savings and Loan Advisory Committee on May 14, 1964, after a public hearing thereon held on that date.