

CR 82-42

STATE OF WISCONSIN
OFFICE OF COMMISSIONER OF BANKING

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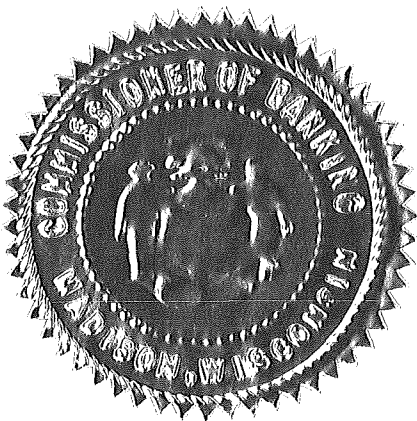
AUG 5 1982
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TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, T. E. Pederson, Commissioner of Banking, and custodian of the official records of said office, do hereby certify that the annexed rule, relating to the Wisconsin Consumer Act, was duly approved and adopted by this office on the 1st day of July, 1982.

I further certify that said copy has been compared by me with the original on file in this office and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the department at the Office of the Commissioner of Banking in the City of Madison, this 3rd day of August A.D. 1982.



T. E. Pederson

T. E. Pederson
Commissioner of Banking
Administrator

10-1-82

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ORDER OF THE OFFICE OF COMMISSIONER OF BANKING

AUG 5 1982

ADOPTING, AMENDING OR REPEALING RULES

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Relating to Rules Concerning Parity, Real Estate Mortgage Loans & Interest Rates

Final Draft Form

Analysis Prepared by the Office of Commissioner of Banking

1. Under Sec. 220.04(8), Stats., the Commissioner of Banking with the approval of the Banking Review Board may authorize state chartered banks to exercise any right, power or privilege permitted national banks under federal law, regulations or interpretation. The first of these rules grants state banks chartered under Sec. 221.57, Wis. Stats., authority to do business with banks including subsidiaries or organizations owned by banks; directors, officers, or employees of the same or other depository institutions, and depository institution trade associations provided loans to or investments with individuals or entities other than depository institutions do not exceed 10% of the total assets of the bank and that deposits from entities or individuals other than depository institutions do not exceed 10% of the total liabilities of the bank. See 12 CFR sec. 204.121.

The second of these rules enables state banks to furnish excess data processing capacity and services. See 12 CFR sec. 7.3500.

The purpose of these parity rules is to provide state chartered institutions with those rights, powers and privileges granted their federal counterparts. The rules will be applied in a manner consistent with interpretations of the corresponding federal statutes, regulations or interpretations by the appropriate federal regulatory agency. However, to the extent that a rule issued under sec. 220.04(8), Stats., includes only a portion of a federal law, regulation or interpretation, the excluded portions do not become a part of the Wisconsin Banking Law.

2. Bkg. 7.01(2)(d) is amended to clarify the amount of insurance coverage a bank is required to maintain in connection with real estate mortgage loans.

3. Bkg. 80.25 is amended to provide licensed loan companies with authority to apply the rates authorized by Ch. 45, Laws of 1981, in closed end credit transactions to extensions of consumer credit pursuant to open end credit plans.

SECTION 1. Pursuant to sec. 220.04(8), Chapter Bkg. 3 is created to read:

Chapter Bkg. 3

PARITY WITH NATIONAL BANKS

Bkg. 3.01 Bank-Owned Banks, Lending & Depository Authority. A bank-owned bank organized under s. 221.57, Stats., may provide banking and bank related services to:

- (1) Subsidiaries or organizations owned by depository institutions,
- (2) Directors, officers or employees of depository institutions, including any subsidiary or organization owned by a depository institution, and,
- (3) Depository institution trade associations.

Bkg. 3.02 Bank-Owned Banks. Limitations on Lending & Depository Authority. The total loans made and deposits received of a bank-owned bank pursuant to Bkg. 3.01 may not exceed the following:

- (1) The total loans made to all entities and individuals described in Bkg. 3.01 may not exceed 10% of the total assets of the bank.
- (2) The total deposits received from all individuals and entities described in Bkg. 3.01 may not exceed 10% of the total liabilities of the bank.

Bkg. 3.03 Use of Data Processing Equipment and Furnishing of Data Processing Services. As part of its banking business and incidental thereto, a bank may collect, transcribe, process, analyze, and store, for itself and others, banking, financial, or related economic data. In addition, incidental to its banking business, a bank may:

- (1) Market a by-product (such as a program or output) of a data processing activity described in this Rule; and
- (2) Market excess time on its data processing equipment so long as the only involvement by the bank is furnishing the facility and necessary operating personnel.

SECTION 2. Pursuant to sec. 220.02(2) & 227.014, Stats., Bkg. 7.01(2)(d) is amended to read:

(d) Either a policy purchased by the borrower of a mortgagee's policy purchased at no cost to the borrower including certificates of insurance or other evidence that all improvements on the real estate are insured for the term of the loan against casualty loss with benefits payable to the bank up to their full value the lesser of:

- (1) their full replacement value or
- (2) the outstanding loan balance or any portion thereof which exceeds the current value of the real estate securing the loan.
~~for the term of the loan against casualty loss with benefits payable to the bank.~~

SECTION 3. Pursuant to Sec. 422.201(10m)(d) and 426.104, Stats., Bkg. 80.25 is repealed and recreated to read:

Bkg. 80.25 Open end credit; maximum periodic rate; licensed lenders. A licensee under Sec. 138.09, Stats., may pursuant to Sec. 422.201(10m)(d), Stats., charge a monthly periodic rate on the balance of an open end credit plan subject to finance charge not to exceed the greater of the "standard periodic rate" or the "alternative periodic rate."

(1) The standard periodic rate is 1/12th of the annual rate of interest described in Sec. 138.09(7)(bn)1.a., Stats., (currently 1.9166%) if the balance subject to finance charge is less than \$3,000 and the customer's requested and contracted for credit limit under the plan is less than \$3,000. On all other accounts the standard periodic rate shall not exceed the 1/12th of the annual rate of interest described in Sec. 138.09(7)(bn)2.a., Stats., (currently 1.75%). The equivalent daily standard periodic rate is 1/365th of the annual rates in this subparagraph.

(2) The alternative periodic rate is 1/12th of the annual rate of interest described in Sec. 138.09(7)(bn)1.b., Stats. The alternative periodic rate may be assessed during the quarterly period in which the rate is effective on credit transactions entered into 15 days or more following notice to the customer of a rate increase. The notice shall contain the disclosures described in Sec. 422.201(10m)(b)3.a. to c., Stats. The equivalent daily alternative periodic rate is 1/365th of the annual rate in this subparagraph.

(3) If a licensee provides notice in accordance with sub. (2) and the alternative periodic rate permitted in succeeding quarterly periods is equal to or greater than the alternative periodic rate assessed by the licensee in a given quarterly period, a licensee may continue to assess that alternative periodic rate on subsequent credit transactions entered into during such succeeding quarterly periods without further notice to the customer. If a licensee provides notice in accordance with sub (2) and the alternative periodic rate in a succeeding quarterly period is less

than the alternative periodic rate assessed by a licensee, a licensee may assess the lower alternative periodic rate on extensions of credit during the quarterly period in which such rate is effective without further notice to the customer.

(4) A licensee may not assess an alternative periodic rate on any extension of credit entered into during any quarterly period in which the alternative periodic rate exceeded the standard periodic rate which exceeds the alternative periodic rate in effect at the beginning of the billing cycle covered by the periodic statement evidencing the finance charge or the standard periodic rate, if it is higher.

(5) The rate limitations of this rule do not apply during those periods in which rate ceilings on open end credit plans are removed pursuant to Sec. 422.201(10n), Stats.

The rules, amendments and repeals contained in this proposed order shall take effect as provided in Sec. 227.026(1), (intro).

Dated: 7/1/82


T. E. Pederson, Commissioner

With Respect to Section 1 of this Order, the Banking Review Board by


Edmund R. Hobbins, Chairman



State of Wisconsin \ OFFICE OF COMMISSIONER OF BANKING

T.E. PEDERSON
COMMISSIONER

WILLIAM G. NOBLE
ADMINISTRATOR

August 3, 1982

DIVISION OF CONSUMER CREDIT
P.O. BOX 7876
MADISON, WISCONSIN 53707

Mr. Gary Poulson
Assistant Revisor
411 - West
State Capitol Building
Madison, WI 53702

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AUG 5 1982

Revisor of Statutes
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RE: Clearing House Rule 82-84

Dear Gary:

Attached please find a certified copy and one additional copy of these rules for publication in the Administrative Code. The rules were submitted to the Senate and Assembly in final draft form on July 2, 1982. We have not received any request for any meeting on these rules from any standing committee of the legislature.

Very truly yours,

Robert A. Patrick
Attorney

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Enclosures