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STATE OF WISCONSIN

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OFFICE OF COMMISSIONER OF SAVINGS AND LOAN

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ORDER NO. 123

I, R. J. McMahon, Commissioner of Savings and Loan and custodian of the official records of the Office of Commissioner of Savings and Loan, do hereby certify that the annexed Order No. 122 relating to granting state chartered savings and loan associations parity with federally chartered savings and loan associations with respect to certain powers was duly approved and adopted by this office on January 4, 1983.

I further certify that the copy of the Order annexed hereto has been compared by me with the original on file in this office 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 this office in the City of Madison this 5th day of January, 1983.



R. J. McMahon

 R. J. McMahon, Commissioner

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

ORDER NO. 123

WHEREAS, the rules embodied by this order were submitted to the Legislative Council staff as required under section 227.029 of the Wisconsin Statutes; and

WHEREAS, in accordance with section 227.021 of the Wisconsin Statutes official notice of a hearing on the rules embodied by this order was published in the Wisconsin Administrative Register of September 30, 1982; and

WHEREAS, pursuant to that notice a public hearing was held on October 21, 1982, at which a draft of the attached rule was the topic of discussion; and

WHEREAS, following that hearing a final draft of the rule was approved by the Commissioner of Savings and Loan and the Savings and Loan Review Board; and

WHEREAS, on October 27, 1982, the final draft of the rule was submitted to the presiding officers of the Senate and Assembly and was referred by those officers to the appropriate standing committee on November 3, 1982 and October 27, 1982, respectively, all in accordance with section 227.018 of the Wisconsin Statutes; and

WHEREAS, neither legislative standing committee has objected to any portion of the proposed rule and the time for so doing has expired;

Now, Therefore, pursuant to the authority vested in the Commissioner of Savings and Loan and the Savings and Loan Review Board by sections 215.02(7)(a), 215.02(18) and 227.014(2)(a), Stats., as amended by chapter 45, laws of 1981, the Office of Commissioner of Savings and Loan hereby adopts a rule as follows:

PROPOSED ORDER OF THE OFFICE OF THE
COMMISSIONER OF SAVINGS AND LOAN

AN ORDER to renumber S-L 30.02(4) to (10) and 30.11 to amend S-L 30.02(3) and 30.11(1)(c); and to create S-L 30.02(5)(7), (9), (13) and (15), 30.11, 30.20(8) to (10) and 30.30 of the administrative code relating to granting state chartered savings and loan associations parity with federally chartered savings and loan associations with respect to certain powers.

Analysis of the Office of the Commissioner of Savings and Loan

Under section 215.02(18) of the statutes as enacted by chapter 45, laws of 1981, effective November 1, 1981 the Commissioner of Savings and Loan with the approval of the Savings and Loan Review Board may authorize state chartered savings and loan associations to exercise any right, power or privilege federal savings and loan associations are permitted under federal law, regulation or interpretation. The proposed rule will grant state chartered associations, under section 215.02(18) of the statutes authority to:

1. Lease property to a natural person for personal, family or household purposes if the person assumes the normal burdens of ownership and the association expects to recover the investment in the property and the cost of financing the investment.
2. Take reasonable and appropriate action to protect their interest as lessor if there is an unanticipated change in conditions or the action is specified in an agreement supplementing the basic lease.
3. Sell loans or participation interests in loans with recourse.
4. Serve as federal tax or treasury tax and loan depository, pledge collateral, maintain note or tax and loan accounts, and conform to corresponding U.S. treasury department regulations.
5. Charge fees in connection with the administration of savings accounts if prior notice is given to the saver.
6. To convert the stock of an absorbed stock association into savings accounts, cash property or securities other than stock of the surviving stock association.

All associations are also subject to the Federal Savings and Loan Insurance Corporation regulations which apply when an association engages in an activity authorized under the proposed rule.

Pursuant to authority vested in the commissioner of savings and loan and the savings and loan review board by sections 215.02(7)(a) and (18) and 227.014(2)(a), Stats., the office of the commissioner of savings and loan hereby repeals, amends and creates rules interpreting sections 215.02(7)(a) and (18), Stats., as follows:

SECTION 1. S-L 30.02(3) is amended to read:

S-L 30.02(3) "Consumer loan" means a secured or unsecured loan, or a lease meeting the requirements of S-L 30.11, or an interest in a loan, to a natural person for personal, family or household purposes. A consumer loan may be made as either open-end or closed-end consumer credit.

SECTION 2. S-L 30.02(5) is renumbered S-L 30.02(6).

SECTION 3. S-L 30.02(5) is created to read:

S-L 30.02(5) "Full-payout lease" means a lease from which the lessor can reasonably expect to realize a return of its full investment in the leased property plus the estimated cost of financing the property over the term of the lease derived from:

(a) Rentals;

(b) Estimated tax benefits; and

(c) The estimated residual value of the property at the expiration of the initial term of the lease.

SECTION 4. S-L 30.02(6) to (9) are renumbered S-L 30.02(8) and (10) to (12), respectively.

SECTION 5. S-L 30.02(7) and (9) are created to read:

S-L 30.02(7) "Net lease" means a lease under which the association does not directly or indirectly, provide for or is not obligated to provide for:

(a) The servicing, repair or maintenance of the leased property during the lease term;

(b) The purchasing of parts and accessories for the leased property (except that improvements and additions to the leased property may be leased to the lessee upon its request if the lease remains a full-payout lease);

(c) The loan or replacement of substitute property while the leased property is being serviced;

(d) The purchasing of insurance for the lessee, except where the lessee has failed in its contractual obligation to purchase or maintain the required insurance; or

(e) The renewal of any license or registration for the property unless action by the association is necessary to protect its interest as an owner or financier of the property.

(9) "Note account" means a note, subject to the right of immediate call, evidencing funds held by depositories electing the note option under applicable U.S. treasury department regulations.

SECTION 6. S-L 30.02(10) is renumbered S-L 30.02(14).

SECTION 7. S-L 30.02(13) and (15) are created to read:

S-L 30.02(13) "Tax and loan account" means an account, the balance of which is subject to the right of immediate withdrawal, established for receipt of payments of federal taxes and certain United States obligations.

(15) "With recourse" means, in connection with the sale of a loan or a participation interest in a loan, an agreement or arrangement under which the purchaser is entitled to receive from the seller a sum of money or thing of value, whether tangible or intangible (including any substitution), upon default in payment of any loan involved or any part of the loan or to withhold or to have withheld from the seller a sum of money or anything of value by way of security against default.

SECTION 8. S-L 30.10(1)(c) is amended to read:

S-L 30.10(1)(c) At any time the total investment made under this section, S-L 30.11 and under s. 215.13(26)(f), Stats., in commercial paper or corporate debt securities investments, does not exceed 20% of assets. Investment in commercial paper or corporate debt securities is not authorized under this paragraph.

SECTION 9. S-L 30.11 is renumbered S-L 30.15.

SECTION 10. S-L 30.11 is created to read:

S-L 30.11 PARITY; CONSUMER LEASING (1) GENERAL POWERS. Within the limitations of S-L 30.10 and subject to sub. (2) an association may:

(a) Become the legal or beneficial owner and lessor of specific personal property or otherwise acquire such property at the request of the lessee who wishes to lease it from the association; or

(b) Become the owner and lessor of personal property by purchasing the property from another lessor in connection with its purchase of the related lease; and

(c) Incur obligations, incidental to its position as the legal or beneficial owner and lessor of the leased property.

(2) EXCEPTIONS. Except as provided in sub. (3) an association may act under sub. (1) only if:

(a) The lease is to a natural person for personal, family or household purposes;

(b) The lease is a net, full-payout lease representing a noncancelable obligation, notwithstanding the possible early termination of the lease, and at the expiration of the lease all interest in the property is liquidated or released on a net basis as soon as practicable; and

(c) The estimated residual value of the property used in determining whether the lease is a full-payout lease does not exceed 25% of the acquisition cost of the property to the lessor unless the estimated residual value is guaranteed by a manufacturer, the lessee, or a third party not an affiliate of the association and the association determines that the guarantor has the resources to meet the guarantee. In all cases, however, both the estimated residual value of the property and that portion of the residual value relied upon by the lessor to satisfy the requirements of a full-payout lease must be reasonable in light of the nature of

the leased property and all relevant circumstances so that realization of the lessor's full investment plus the cost of financing the property primarily depends on the credit worthiness of the lessee and any guarantor of the residual value, and not on the residual market value of the leased items.

(3) SALVAGE POWERS. (a) If an association in good faith believes that there has been an unanticipated change in conditions which threatens its financial position by significantly increasing its exposure to loss, the association, subject to chs. 421 to 427, Stats., may:

1. As the owner and lessor under a net, full-payout lease, take reasonable and appropriate action to salvage or protect the value of the property or its interests arising under the lease; or

2. As the assignee of a lessor's interest in a lease, become the owner and lessor of the leased property pursuant to its contractual right, or take any reasonable and appropriate action to salvage or protect the value of the property or its interest arising under the lease.

(b) An association may include any provisions in a lease, or make any additional agreements, to protect its financial position or investment in the circumstances set forth in par. (a).

NOTE: This rule parallels 12 C.F.R. 545.7-10a (consumer leasing). Most consumer lease transactions authorized by this rule will be subject to restrictions under the Wisconsin Consumer Act. See for example s. 422.412, Stats.

SECTION 11. S-L 30.20(8) to (10) of the administrative code are created to read:

S-L 30.20(8) Sell loans or participation interests in loans with recourse.

(9) Serve as depository for federal taxes or as treasury tax and loan depository subject to regulation of the U.S. treasury department, and satisfy any requirement in connection with that depository service, include pledging collateral and maintaining note or tax and loan accounts which are not savings accounts or savings deposits.

(10) Charge fees in connection with the administration of savings accounts except a fee or a fee increase may be imposed only if a written, clear and conspicuous disclosure of the fee or fee increase and the method of computing it is delivered to the saver before the saver opens the account or mailed to the saver not less than 30 days prior to the date the fee or fee increase takes effect, whichever is later.

NOTE: This section parallels 12 C.F.R. 545.7-7 (credit cards), 545.4-1(a) (payments to third parties), 545.4-1(b) (2) (overdraft loans), 545.6-2 (loans on cooperative housing units), 563.9 (nationwide lending), 545.4-1(d) (fees), 561.8 (sale on loans with recourse), 545.24-3 (tax and loan depositories), and 545.1(b) (savings account fees), affects restrictions under ss. 215.13(39) and 215.21(28), Stats., and effectuates the statement of policy in 12 C.F.R. 556.5 (branching).

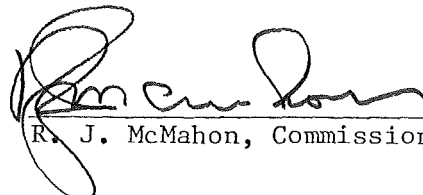
SECTION 12, S-L 30.30 is created to read:

30.30 PARITY; ABSORPTIONS. A stock association is authorized, under s. 215.02(18), Stats., subject to the approval of the Commissioner, to convert the shares of a stock association absorbed under s. 215.73, Stats., into stock, savings accounts, or other securities of the surviving association or cash, property, rights, or securities of any other entity in connection with the absorption.

NOTE: This section parallels 12 C.F.R. 552.13(f)(2).

SECTION 13. EFFECTIVE DATE. This order takes effect on the first day of the month following its publication in the Wisconsin administrative register, as provided by s. 227.026 (1) (intro.) Stats.

Dated: January 4, 1983


R. J. McMahon, Commissioner