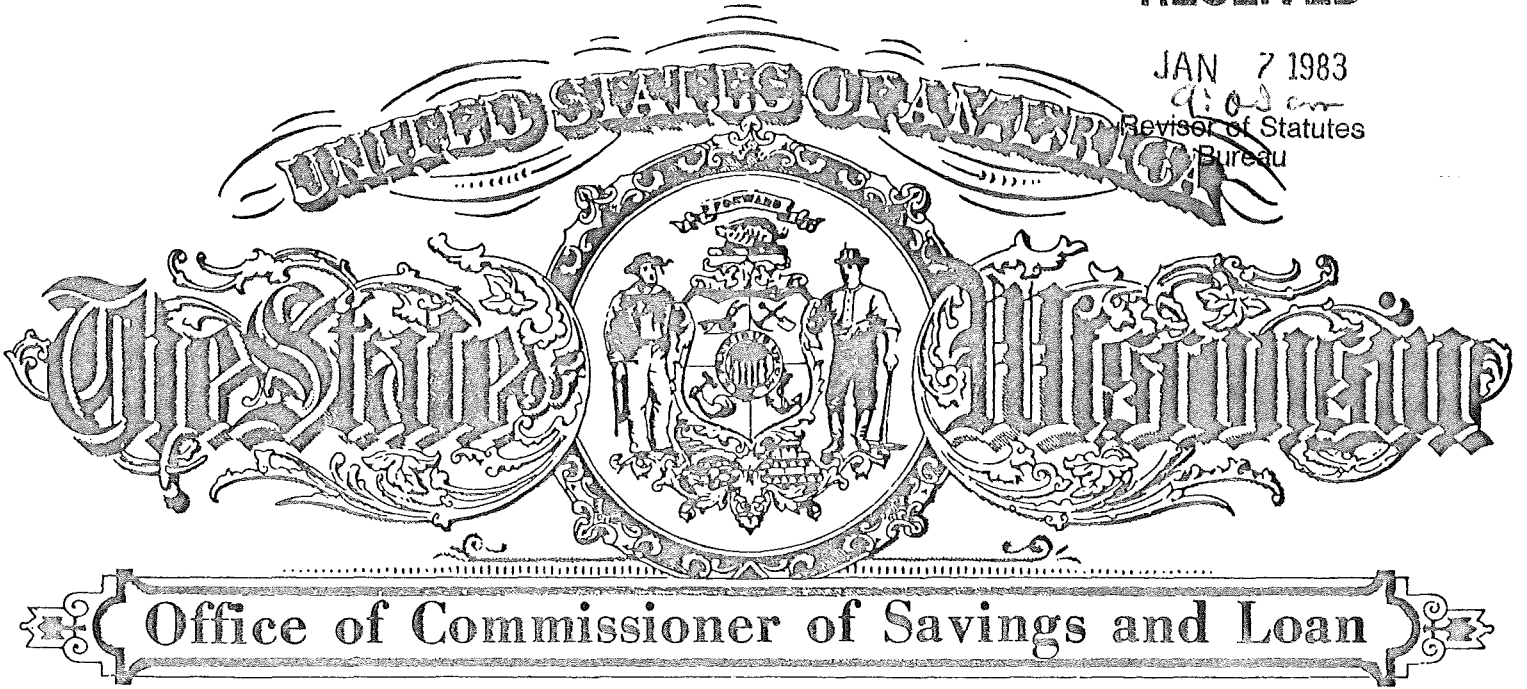


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STATE OF WISCONSIN)

OFFICE OF COMMISSIONER OF SAVINGS AND LOAN)

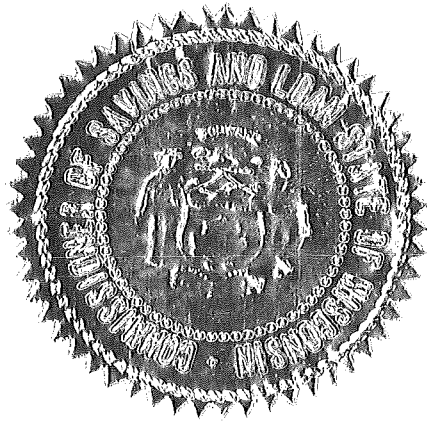
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ORDER NO. 122

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 savings accounts, financial reports, real estate acquired on default of loans, supervisory orders, service corporation and procedures was duly approved and adopted by this office on December 20, 1982.

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. 122

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), 215.03(6)(a), 215.15, 215.16, 215.22 and 227.014(2)(a), Stats., the Office of Commissioner of Savings and Loan hereby adopts a rule as follows:

ORDER OF THE
OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN

AN ORDER to amend S-L 12.03(2); to repeal chapter S-L 11, 14 and 15; to repeal and re-create S-L 1.01(2), chapter S-L 5, S-L 7.01(3), chapter 20, S-L 25.01(2) and S-L 50.03 and to create chapter S-L 10 of the administrative code relating to savings accounts, financial reports, real estate acquired on default of loans, supervisory orders, service corporation and procedures.

Analysis of the Office of the Commissioner of Savings and Loan

These rules revise chapters of the administrative code governing savings accounts and financial reports of savings and loans as well as supervisory orders and real estate acquired through foreclosure action. Changes made include the following:

1. The present rules establish certain forms and computation methods to be used in connection with savings and loan savings accounts. This rule removes obsolete forms and methods and instead permits savings and loans to develop their own forms and interest computation methods provided the method used is one generally recognized as acceptable in the industry.
2. This rule makes clear that negotiable certificates of deposits may be issued by savings and loans, including certificates which are payable to the bearer.
3. This rule permits a savings and loan association to establish the amount of any surety bond required for replacement of a passbook or savings certificate.
4. The rule updates the forms used to report statements of condition and operations. The rule also permits the commissioner to require the use of an accounting practice generally used in the savings and loan industry nationally although it is not in accordance with generally accepted accounting principles (GAAP).
5. The rule revises procedures governing a savings and loan association's disposition of real estate acquired through foreclosure. Requirements under the current rule for setting of sale price and record keeping are deleted, as is authorization to form a nonstock real estate management company. Restrictions on the terms which may be offered to facilitate the sale of the property are deleted. Annual reappraisal of the property would no longer be required. However reappraisal would be required if ordered by the commissioner or if a material change in the use or condition of the property occurred.
6. Various clarifications are made including the changes to procedural rules governing supervisory orders and appeals to the commissioner or savings and loan review board.

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), 215.03(6)(a), 215.15, 215.16, 215.22 and 227.014(2)(a), Stats., the office of the commissioner of savings and loan hereby adopts rules interpreting 215.02(7)(a), 215.04, 215.03(6)(a), 215.13(46), 215.15, 215.16 and 215.22, Stats., as follows:

SECTION 1. S-L 1.01(2) is repealed and recreated to read:

S-L 1.01(2) COMMUNICATION ADDRESSED TO COMMISSIONER. All written communications, applications and documents may be mailed to or filed with the office of the commissioner.

NOTE: The address of the Office of the Commissioner of Savings and Loan is Room 502, 131 West Wilson Street, Madison, Wisconsin 53702. Office hours are from 7:45 a.m. to 4:30 p.m., Monday to Friday except for holidays.

SECTION 2. Chapter S-L 5 is repealed and recreated to read:

CHAPTER S-L 5

ANNUAL STATEMENTS TO SAVERS AND STOCKHOLDERS

S-L 5.01 ANNUAL STATEMENTS TO SAVERS AND STOCKHOLDERS. (1) FORM AND CONTENT.

The printed statement of condition and operations made available under s. 215.03 (6)(a) 3, Stats., to the savers of a mutual association and the savers and stockholders of a capital stock association shall be in substantially the following form and contain at a minimum the following information:

(Full name of association)

STATEMENT OF CONDITION

Mortgage Loans & Contracts	\$	Savings Accounts	\$
Mortgage Backed Securities		Borrowed Funds	
Other Loans		Tax & Insurance Escrow	
Real Estate Owned & in Judgment ...		Other Liabilities	
Cash & Securities		Total Liabilities	_____
FHLB Stock		Capital Stock & Surplus	\$
Office Bldg. & Equipment		Retained Earnings	
Investment in Subsidiaries		Other Net Worth Accounts ...	
Real Estate Investments		Total Net Worth	\$ _____
Intangible Assets			
Other Assets	_____		
TOTAL	\$ _____	TOTAL	\$ _____

STATEMENT OF OPERATIONS

OPERATING INCOME		OPERATING EXPENSE	
Interest: Loans	\$	Compensation & Benefits	\$
Investments		Advertising & Promotion	
Loan Fees & Charges		Building & Equipment	
Income from Subsidiaries		Audit/Exam/FSLIC	
Other Operating Income		Other Operating Expense	
Total Operating Income	\$	Total Operating Exp.	\$
		Net Operating Income	\$
INTEREST EXPENSE		NON-OPERATING ITEMS	
Interest: Savings Accounts ...	\$	Non-Operating Income	\$
Borrowed Funds		Non-Operating Expense	\$
Total Interest Expense	\$	Income Taxes	\$
		Net Non-Operating Items	\$
Subtotal	\$	Net Income	\$

(2) CAPITAL STOCK ASSOCIATIONS. A capital stock association shall provide a statement of changes in stockholders equity in support of its statement of condition.

(3) DELETION OF CERTAIN PRESCRIBED CATEGORIES. If the balance in any category prescribed under sub. (1) is zero, that category need not be shown in the statement.

S-L 5.02 METHOD OF PREPARATION. (1) ALL ASSOCIATIONS. Except as otherwise required under sub. (2) or (3) each statement of condition and operations required under s. 215.03(6)(a), Stats., shall be prepared in accordance with generally accepted accounting principles prescribed by the financial accounting standards board (FASB).

(2) MUTUAL ASSOCIATIONS. In the case of a mutual association, unless "Net Income" equals the difference between "Total Net Worth" at the end of the period and "Total Net Worth" at the beginning of the period, the statement of conditions and operations shall include:

- (a) A clearly readable explanation of material adjustments to the net income of prior periods; or
- (b) A restated statement of operations for the affected periods.

(3) NATIONAL INDUSTRY STANDARD. The commissioner of savings and loan may require associations to prepare statements of condition and operation according to an accounting practice or standard which is not in accordance with generally accepted accounting principles if the practice or standard is generally used and accepted nationally for mutual or stock associations as indicated by one or more of the following:

(a) The accounting practice or standard is used by a substantial portion of the savings and loan industry nationally; or

(b) The accounting practice or standard is accepted or required by the federal home loan bank board or the security exchange commission.

(4) FORMS MODIFIED. The commissioner of savings and loan may modify the forms prescribed in s. S-L 5.01 to reflect an accounting practice or standard adopted by the commissioner under sub. (3).

(5) WHEN AVAILABLE. Each association shall make available the statement of condition and operations provided under s. 215.03(6)(a) 3, Stats., not later than 5 days before the annual meeting of members of stockholders.

SECTION 3. S-L 7.01(3) is repealed and recreated to read:

S-L 7.01(3) Operation of a remote service unit as defined in s. 215.13(46)(a) 2, Stats., or an unstaffed facility does not constitute the transaction of business for the purpose of this section.

SECTION 4. Chapter S-L 10 is created to read:

CHAPTER S-L 10

SAVINGS ACCOUNTS

S-L 10.01 DEFINITIONS. In this chapter:

- (1) "Association" means an association as defined by s. 215.01(1), Stats;
- (2) "Commissioner" means the commissioner of savings and loan.

S-L 10.02. EVIDENCE OF SAVINGS ACCOUNTS. An association shall issue written evidence of the account to each saver opening a savings account. The document shall be signed by a person designated by the board of directors or contain a facsimile signature of a person designated by the board of directors. Any evidence of a savings account which complies with this section is acceptable to the commissioner for the purpose of s. 215.15(1), Stats.

S-L 10.05 COMPUTATION OF RATE OF EARNINGS. The board of directors of an association may:

- (1) Determine the rates of earnings to be declared or fixed by contract on savings accounts;
- (2) Establish or contract for different rates of earnings for each of one or more classes of savings accounts;
- (3) Prescribe any method generally accepted in the savings and loan industry for the computation of earnings to be distributed or a method specifically approved by the commissioner in writing;
- (4) Establish the times at which earnings shall be distributed for each class of savings accounts including, but not limited to a semiannual, quarterly, monthly, daily or any other periodic basis; and
- (5) Authorize the distribution of earnings on withdrawals between earnings distribution dates.

S-L 10.10 TRANSFER OF SAVINGS ACCOUNTS. (1) An association may issue savings accounts which may be transferred by a transaction evidenced in writing or by delivery.

(2) An association may treat the person named on its books as the owner of a savings account, including but not limited to, for the purpose of membership votes in a mutual association until proper entry of a transfer is made on the books of the association.

S-L 10.15 REPLACEMENT OF LOST OR DESTROYED DOCUMENTS EVIDENCING SAVINGS ACCOUNTS.

If an association receives written notice that a document evidencing ownership of a savings account in an association has been lost or destroyed, the association shall provide the saver with a replacement document if the saver:

- (1) Complies with any requirement established by the board of directors of the association to pay a fee;
- (2) Provides an affidavit, or other evidence of the loss or destruction of the document, as required by the board of directors; and
- (3) Provides a bond or collateral against any loss or damage that may occur due to the replacement of the document as required by the board of directors.

SECTION 5. Chapter S-L 11 is repealed.

SECTION 6. S-L 12.03(2) of the administrative code is amended to read:

S-L 12.03(2) CALCULATION OF NET WORTH. For purposes of determining compliance with sub. (1) net undistributed income shall be added to the association's net worth accounts. Net undistributed loss shall be deducted from the association's net worth accounts. For purposes of this subsection "net undistributed income" or "net undistributed loss" means the difference between income and expenses at any time prior to the closing of the association's books, calculated according to generally accepted accounting principles ~~(GAAP)~~ or an accounting practice or standard generally used and accepted nationally and required by the commissioner as provided under s. S-L 5.02(3).

SECTION 7. Chapter S-L 14 is repealed.

SECTION 8. Chapter S-L 15 is repealed.

SECTION 9. Chapter S-L 20 is repealed and recreated to read:

CHAPTER 20

REAL ESTATE OWNED

S-L 20.01 REAL ESTATE OWNED. (1) An association's attorney shall examine abstracts of title for all real estate acquired under s. 215.22, Stats., 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 may be obtained. A binder or commitment to insure from the title company to guarantee title to a future owner is also acceptable.

(2) After a parcel of real estate is acquired under s. 215.22, Stats., the association shall have the property appraised by an approved appraiser under s. S-L 18.15. The real estate acquired shall be subsequently reappraised if:

- (a) There is a material change in the use or condition of the property; or
- (b) Reappraisal is ordered by the commissioner of savings and loan.

(3) An association's board of directors may, or on the order of the commissioner shall, write down real estate acquired under s. 215.22, Stats., to the most recent appraised value if the book value exceeds the appraised value.

(4) An association may sell real estate for a price which is less than the appraised value only if the association's board of directors approves the sale.

(5) Real estate acquired under s. 215.22, Stats., may be sold to officers, directors or employes of an association or to members of their immediate families, or to affiliates of officers, directors or employes or members of their immediate families, only with the prior written approval of the commissioner of savings and loan.

SECTION 10. Section S-L 25.01(2) is repealed and recreated to read:

S-L 25.01(2) HOW ISSUED. The commissioner shall deliver a supervisory order under this section to the board of directors of the association. The order shall set forth the facts and demand the discontinuance of the act, practice or procedure and, whenever applicable, order the association to institute corrective action. A supervisory order issued under s. 215.02(7)(c), Stats., shall be captioned "SUPERVISORY ORDER UNDER SECTION 215.02(7)(c) OF THE STATUTES" and unless it is so captioned it does not constitute an order under that section. Correspondence demanding payment of a forfeiture for violation of an order issued under s. 215.02(7)(c), Stats., is not an order and is not subject to review by the savings and loan review board.

SECTION 11. S-L 28.02(1)(b) is amended to read:

S-L 28.02(1)(b) The association's aggregate investment in a and mortgage loans to its service corporations and their subsidiaries does not exceed the aggregate limit set by the commissioner for that association; and

SECTION 12. S-L 50.03 is repealed and recreated to read:

S-L 50.03 COMMUNICATIONS WITH THE REVIEW BOARD. Written communications and documents may be mailed to or filed with the savings and loan review board at the office of the commissioner. All pleadings before the board shall be captioned, "Before the Savings and Loan Review Board." Wherever practicable, all papers filed in connection with any hearing before the board shall be typewritten on 8½" by 11" paper.

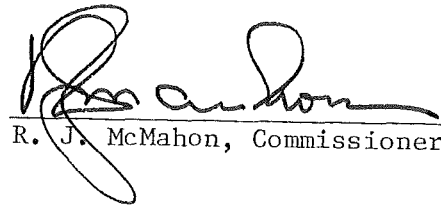
NOTE: The address of the Office of the Commissioner of Savings and Loan is Room 502, 131 West Wilson Street, Madison, Wisconsin 53702. Office hours are from 7:45 a.m. to 4:30 p.m., Monday to Friday except for holidays.

SECTION 13. CROSS-REFERENCE CHANGES. In the sections of the statutes listed in Column A, the cross-references shown in Column B are changed to the cross-references shown in Column C:

<u>A</u>	<u>B</u>	<u>C</u>
Administrative Code Sections	Old Cross-References	New Cross-References
S-L 18.17(1)(c)	s. S-L 18.05(2)(c)1	s. S-L 18.05(4)(c)

SECTION 14. EFFECTIVE DATE. This order takes effect on the first day of the month following its publication in the Wisconsin administrative register as provided under s. 227.026(1)(intro.), Stats.

Dated: December 20, 1982


R. J. McMahon, Commissioner