

Chapter S-L 28

SERVICE CORPORATION INVESTMENTS

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S-L 28.01 Definitions. In this chapter:

- (1) "Association" has the meaning provided by s. 215.01 (1), Stats.
- (2) "Commissioner" means the commissioner of savings and loan.
- (3) "Financial institution" means an association, bank, credit union or mutual savings bank which is federally or state chartered.
- (4) "Investment" means money advanced, directly or indirectly, to a corporation for capital stock, obligations or other securities. "Investment" does not include mortgage loans made under s. 215.21, Stats.
- (5) "Service corporation" means a corporation in which a savings and loan association owns, or intends to acquire, capital stock.
- (6) "Subsidiary" means any business in which a service corporation, directly or indirectly, owns an interest. "Subsidiary" includes a business in which a service corporation indirectly owns an interest through another subsidiary or a series of subsidiaries.

History: Cr. Register, April, 1982, No. 316, eff. 5-1-82.

S-L 28.02 Service corporation investments authorized. (1) An association may make an investment in a service corporation under s. 215.13 (26) (f), Stats., if:

- (a) The commissioner gives prior written approval of the investment;
- (b) The association's aggregate investment in and mortgage loans to its service corporations and their subsidiaries does not exceed the aggregate limit set by the commissioner for that association; and
- (c) The service corporation and its subsidiaries:
 1. Restrict their activities to those authorized in writing by the commissioner;
 2. Are audited by a certified public accountant at least once each fiscal year and deliver a copy of the certified public accountant's certified report to the commissioner simultaneously with the delivery of the report to them;
 3. File any report the commissioner requests, submit to examination from time to time by the commissioner's office and pay the expense of the examinations and audits;
 4. Do not, directly or indirectly, enter into a business venture with an officer, director or employe of a financial institution or of a corporation owned primarily by financial institutions or with an organization other

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than a service corporation affiliated with such an officer, director or employe, unless the commissioner gives prior written approval.

(2) An application for approval of an initial investment in a service corporation under this section shall contain:

- (a) A certified copy of the service corporation articles of incorporation;
- (b) A copy of the corporate bylaws;
- (c) A copy of the certificate of newly-elected officers;
- (d) An agreement by the service corporation and each of its subsidiaries to comply with sub. (1) (c); and
- (e) Other information required by the commissioner.

(3) An association, service corporation or subsidiary may make an investment in a service corporation or subsidiary in which it has less than a majority and controlling interest only if the commissioner gives prior written approval.

(4) If an association obligates itself in any way for the direct or contingent payment of debt of a service corporation or its subsidiary, the amount of the debt shall be included as an investment for the purpose of sub. (1) (b).

(5) The commissioner may, for good and sufficient reason, limit, restrict or prohibit investment in or mortgage lending to a service corporation or its subsidiary by an association.

(6) Factors the commissioner shall consider when acting under this section include, but are not limited to:

- (a) The effect on the safety and solvency of the association;
- (b) Compliance by the association with ch. 215, Stats., and chs. S-L 1 to 50;
- (c) The anticipated benefit to the association and its depositors and other customers; and
- (d) The managerial capabilities and expertise of the personnel of the association and its service corporations and subsidiaries.

History: Cr. Register, April, 1982, No. 316, eff. 5-1-82; am. (1) (b), Register, February, 1983, No. 326, eff. 3-1-83.

S-L 28.03 Enforcement. If an association, a service corporation or its subsidiary is found to be in violation of this chapter, ch. S-L 21, or such other directives or guidelines as the commissioner adopts regarding service corporations and their subsidiaries, the commissioner may issue an order to the parent association directing it to correct any violations on its part or to direct the service corporation or its subsidiary to correct any violation on its part. The service corporation or subsidiary has 15 calendar days unless further extended by the commissioner within which to comply with the commissioner's order. The commissioner may require a divestiture of all or a portion of the investments in the service corporation or subsidiary for failure to comply. Failure to comply with s. S-L 28.02 (1) (c) does not require divestiture or render the investment

unauthorized unless the commissioner requires divestiture under this section.

History: Cr. Register, April, 1982, No. 316, eff. 5-1-82.