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Office of Commissioner of Savings and Loan

STATE OF WISCONSIN)
 OFFICE OF COMMISSIONER OF SAVINGS AND LOAN)

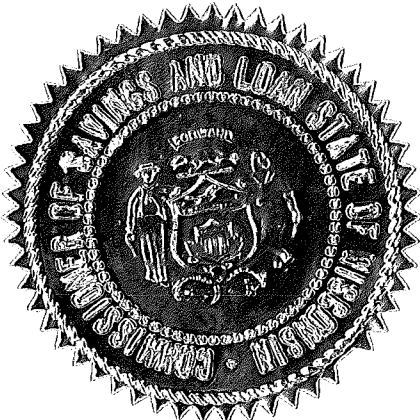
CERTIFICATE

ORDER NO. 143

I, Harold N. Lee, Jr., Commissioner of Savings and Loan and custodian of the official records of the Office of the Commissioner of Savings and Loan and of the Savings and Loan Review Board, do hereby certify that the annexed Order No. 143 relating to recodifying the rules of the Commissioner of Savings and Loan which regulate savings and loan associations was adopted by this office and approved by the Savings and Loan Review Board.

I further certify that that 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, Wisconsin, this 17th day of March, 1989.



Harold N. Lee, Jr.
 Harold N. Lee, Jr., Commissioner

7-1-89



ORDER OF THE
OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN
REPEALING AND CREATING A RULE

The Wisconsin commissioner of savings and loan and the savings and loan review board order (1) the repeal of chs. S-L 1-50, but not emergency rules ss. S-L 1.22 and 1.23 adopted on December 28, 1988 and effective January 1, 1989; and (2) the creation of chs. S-L 1-20, relating to recodifying the rules of the commissioner of savings and loan which regulate savings and loan associations.

Analysis Prepared by the Office of the Commissioner of Savings and Loan

Statutory authority: ss. 138.056(1)(a) 4, 215.02(7)(a) and (18) and 215.135, Stats.

Statute interpreted: see various citations following section titles of rules in the attached draft.

This draft rewrites and reorganizes the administrative rules regulating state chartered savings and loan associations. Very few substantive changes are included.

The draft is largely a product of former Commissioner Leo Mortensen's Advisory Committee on Administrative Rules. Commissioner Mortensen directed the Advisory Committee to 1) identify rules which are obsolete and recommend their repeal or modification; 2) identify rules which merely duplicate federal rules; 3) identify rules imposing unnecessary or questionable administrative obligations on associations and recommend revisions; 4) identify rules embodying policies that should be reviewed and revised; and 5) identify areas in which new rules may be useful.

Between May 1987 and February 1988, the Advisory Committee met six times and its subcommittees met 14 times. Its recommendations were submitted to Commissioner Harold N. Lee, Jr. (appointed in February 1988) who reviewed and modified them. In March 1988, he submitted his revised draft to the Savings and Loan Review Board. The Review Board analyzed this draft and, with the Commissioner, agreed upon some changes which were incorporated into the draft.

A public hearing on the rule was held on October 18, 1988. At its November 28, 1988 meeting, the Review Board met with the Commissioner to review and act upon all suggestions for changes to the draft that had been received. The work product of this meeting constitutes the current draft.

This rule reorganizes existing retained rules into a more logical sequence. Many rules are only renumbered or restated while others contain minor substantive changes, basically for clarification. A table of these new section numbers, comparable current rules (if any) and the statute interpreted is available for comparison and detailed analysis.

The following is a summary of some more significant aspects of this recodification and highlights some changes from current rules. Not every chapter of this draft is summarized; current rules which are merely restated or renumbered are not separately discussed below.

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1. Section S-L 1.01 ("Construction of language") is new and parallels the general concept of construing statutory language contained in s. 990.01(1), Stats.
2. Section S-L 1.02 ("Pick-up of statutory definitions") is new. It adopts definitions already in the statutes, avoiding the current and future need for repetition of definitions in the rules.
3. Most definitions which are scattered throughout the current rules are consolidated into a single section (s. S-L 1.03).
4. Terms defined in s. S-L 1.03 but not in the current rules are "commercial loan", "federal insuring agency", "FSLIC" and "repossessed".
5. The definition of "subsidiary" is broadened to include any business (not just a corporation) in which an association owns an interest. The definition includes partnerships and joint ventures of an association and subsidiaries of an association's subsidiaries (ex., a service corporation owned by a service corporation). (See s. S-L 1.01(14).)

CHAPTER S-L 2 ("General provisions; procedures; commissioner's authority")

1. Section S-L 2.01 ("Purpose") is new and provides a general statement of the need for and purpose of the rules
2. Section S-L 2.02 is new. It emphasizes the significant role of the board of directors in the overall decision making process of the association.
3. Section S-L 2.03 is a statement of the necessity for avoiding conflicts of interest by people in decision making positions with associations. This general provision supplements applicable federal regulations (12 CFR ss. 563.34, 563.35 and 563.40 to 563.45) and replaces more detailed provisions currently in ch. S-L 9.
4. Many provisions specifying the commissioner's authority are currently scattered throughout the rules. Proposed s. S-L 2.05 consolidates these provisions into a single location.

CHAPTER S-L 3 ("Uninsured associations")

1. This draft repeals several current rules (ex. ch. S-L 6 ("Minimum surety bond requirements") and ch. S-L 9 ("Prohibited loans")) which duplicate federal regulations applicable to all FSLIC-insured associations. Because one Wisconsin association (Employees' Mutual Saving Building and Loan Association) is not FSLIC-insured, the federal provisions on these topics are being equally applied to this association.

CHAPTER S-L 6 ("Records management and retention")

1. This chapter adopts a comprehensive, detailed table prepared by a nationally recognized professional group which provides time periods for

retention of records. A shorter, less comprehensive and outdated list in a current rule (s. S-L 13.11) is deleted.

CHAPTER S-L 7 ("Employment contracts and compensation")

1. Section 7.01 is new. Parallel to a similar federal regulation, it establishes 5 years as the maximum period of an employment contract between an association and an officer or employee.
2. Section 7.02 largely codifies the commissioner's long-standing policies on director compensation. A change is that the rule allows directors of capital stock associations to receive stock options to the extent permitted by federal law.
3. Section S-L 7.04(2) allows full-time officers and employees of an association's "subsidiaries" (not just of its service corporations) to be included under an association's pension plan or deferred compensation agreement if the subsidiary pays its pro rata share of costs incurred. The requirement of the commissioner's and review board's specific prior approval is eliminated.

CHAPTER S-L 9 ("Articles of incorporation")

1. The commissioner and review board are approving a form for what is commonly called "model articles of incorporation" for both mutual and capital stock associations. This promotes uniformity among the articles of each type of association.
2. The article of incorporation is deleted for both mutual and capital stock associations which requires the name and address of the association's registered agent at the time the articles are adopted.

CHAPTER S-L 10 ("Bylaws")

1. The commissioner and review board are approving a form for what is commonly called "model bylaws" for both mutual and capital stock associations. This promotes uniformity among the bylaws of each type of association. Several changes in this draft also produce greater similarity between the bylaws of mutual and capital stock associations.
2. In this draft, meetings of members of a mutual association must be held within 120 days after the end of the association's fiscal year. Current rule requires the meeting to be held within 90 days after fiscal year end or within 30 days after that if the board of directors establishes a later date by resolution.
3. Mutual associations must now conduct the annual meeting at the association's home office or elsewhere in the same community determined by the board of directors. This draft also provides that the annual meeting may be held at another location in Wisconsin which is approved by both the board of directors and the commissioner.

4. Currently, meetings of members must be conducted under Robert's Rules of Order or "other written procedural rules adopted by the members". The second alternative is deleted and replaced by "other written procedural rules adopted by the board of directors and ... available to the members".
5. Added to the reasons for which a board of directors may remove a director or officer is: "whenever in the board's judgment, removal is in the best interests of the association" (bylaw s. 4.01(1)(g)).
6. Section S-L 10.03 ("Optimal board of directors age limitations") newly sets out 9 optional provisions which have been long available from the commissioner's office.
7. Section 10.04 ("Transition") requires each association to adopt the new form of bylaws when it next amends its bylaws or 2 years after the rule's effective date, whichever is earlier. This parallels current s. S-L 3.03.

CHAPTER S-L 11 ("Real estate owned and other repossessed assets")

1. Coverage of the current rule (s. S-L 20.01, "Real estate owned") is extended to other assets besides real property which an association may repossess (ex., cars, boats, businesses).

CHAPTER S-L 12 ("Remote service units")

1. This is a joint rule. Identical provisions have been adopted by the commissioners of savings and loan, credit unions (ch.CU 63) and banking (ch. Bkg 14).

CHAPTER S-L 13 ("Loans")

1. Various lending authorities of associations are presently scattered throughout the rules (esp. in chs. S-L 18, 23,24, and 30). In this draft, they are consolidated into a single chapter.
2. As a newly codified limitation on an association's lending authority, no loan or group of loans on one real estate project may exceed 25% of an association's net worth (s. S-L 13.01(2)).
3. Each association is required to adopt written policies to direct its mortgage, consumer and commercial loan activities (s. S-L 13.02). This codifies existing policy.

CHAPTER S-L 14 ("Real estate investments")

1. "Real estate investment" is newly defined (see proposed s. S-L 14.01(1)) consistent with existing practice.
2. Requirements for approval of real estate investments are not changed.

CHAPTER S-L 15 ("Investments in subsidiaries")

1. "Investment in subsidiaries" is defined (see proposed s. S-L 15.01(1)) consistent with existing practice.
2. This chapter broadens the current rule (ch. S-L 28, "Service corporation investments") by extending the requirement of written commissioner approval to investments in partnerships and joint ventures, as well as in corporations. This codifies existing policy.

CHAPTER S-L 16 ("Powers of an association")

1. With one exception, the list of powers in s. S-L 16.01 ("Powers of associations") are all presently contained in current ch. S-L 30 ("Parity with federal savings and loan associations"). The exception is proposed s. S-L 16.01(12), titled "Salvage powers", which codifies long-standing policy.
2. The statutory basis for adopting these rules is expanded from only s. 215.02(18), Stats. (authorizing state chartered associations the same powers as federally chartered associations) to both that statute and s. 215.135 (authorizing state chartered associations to exercise powers that any other provider of financial products or services may exercise or that the commissioner finds to be financially related). These powers are presently exercised by federally chartered associations and generally by banks and credit unions; they are hereby also found to be financially related.

CHAPTER S-L 17 ("Trust powers")

1. This chapter is adopted under ss. 215.02(18) (parity with federal associations) and 215.135 (parity with banks and the powers are financially related).
2. This draft closely parallels the federal regulation and makes minor technical changes to existing ch. S-L 31 ("Trust powers") to make the chapter more workable at the recommendation of a Trust Attorneys Advisory Group (private practitioners in trust law) to the Advisory Committee.

CHAPTER S-L 18 ("Requirements to organize a new association")

1. The minimum capital for starting a new state chartered association, under current rule in a market area of less than 100,000 people is \$1 million of stock for a stock association and \$1 million of deposits for a mutual association. In a market area of 100,000 or more people, the numbers increase to \$2 million. (See current s. S-L 4.01(2)(a) and (4)(b).) This draft sets the minimum capital at \$2 million regardless of the market area size (proposed s. S-L 18.01(1)(a) and (3)(b)).
2. The minimum number of people who may start a new association under current rule is 10 subscribers for a stock association and 500 depositors for a



mutual association (current s. S-L 4.01(2)(b) and (4)(a)). This draft retains the 500 depositor standard for a mutual association (proposed s. S-L 18.01(3)(a)) but reduces the number of stock subscribers to one to recognize that a holding company may be a sole subscriber (proposed s. S-L 18.01(1)(a)).

CHAPTER S-L 19 ("Savings and loan holding companies")

1. This is a new chapter. It renumbers a recently adopted rule (s. S-L 1.21, effective August 1, 1988) defining the principal place of business of a savings and loan holding company. The chapter provides space for expansion on a topic likely to be the subject of future rulemaking.

CHAPTER S-L 20 ("Procedures before the savings and loan review board")

1. The only significant substantive change from the current rule on appeals to the savings and loan review board (s. S-L 50.09) is giving the review board the option of whether to hold oral arguments on legal briefs. Current rule mandate oral arguments.

This rule will have no state or local fiscal effect.

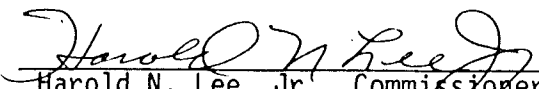
This rule will have the same impact on a "small business" (as defined in s.227.114(1)(a), Stats.) as on any other business operating as a state chartered savings and loan association. The methods under s. 227.114(2), Stats., for reducing the rule's impact on small business would be contrary to and would compromise the statutory objective of assuring the safety and sound management of all associations.

Pursuant to the authority vested in the commissioner of savings and loan and the savings and loan review board by ss. 138.056(1)(a)4, 215.02(7)(a) and (18) and 215.135, Stats., the commissioner and the review board hereby (1) repeal the chs. S-L 1-50, but not emergency rules ss. S-L 1.22 and 1.23 adopted on December 28, 1988 and effective January 1, 1989 and (2) create chs. S-L 1-20, relating to recodifying the rules of the commissioner of savings and loan which regulate savings and loan associations, interpreting s. 138.056 and various provisions in ch. 215, Stats., as set out in the attached certified copy and incorporated herein by reference.

The rule created by this order shall take effect July 1, 1989.

Dated at Madison, Wisconsin this 17th day of March, 1989.

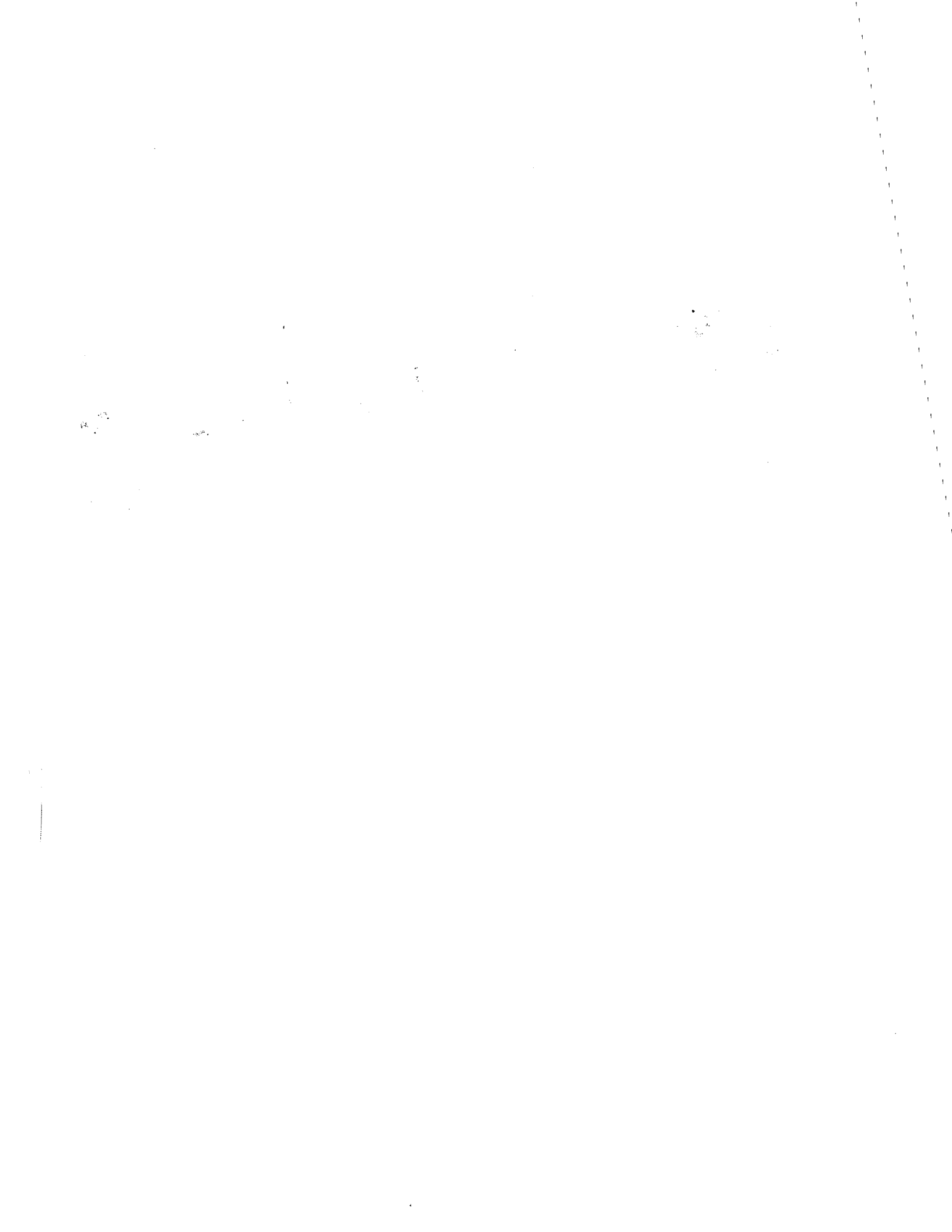
OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN


Harold N. Lee, Jr., Commissioner

(d) Convert to a stock association through absorption by an existing insured stock association as part of a transaction in which the capital stock of the existing association are issued. In such a transaction in which the existing insured stock association is the survivor, the savers of the converting association shall receive, without payment, nontransferable rights from the existing stock association to purchase its capital stock in lieu of capital stock of the converting association. Capital stock of the existing stock association issued in the conversion transaction which is not purchased in the subscription offering shall be offered and sold in a public offering or a direct community offering. Prior to offering stock, the association shall obtain a valuation of the association by an independent expert using commonly accepted valuation methods. The valuation shall be included in the plan submitted under s. 215.58, Stats. The aggregate price at which the capital stock of the existing or the converting association shall be sold shall be established by independent valuation.

(2) Except as otherwise explicitly provided by this section, ch. 215, Stats. applies to a conversion or absorption under this section.

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exercising trust powers shall adopt written policies and procedures to ensure that the federal securities laws are complied with in connection with any decision or recommendation to purchase or sell any security. The policies and procedures shall ensure that the association's trust departments shall not use material inside information in connection with any decision or recommendation to purchase or sell any security.

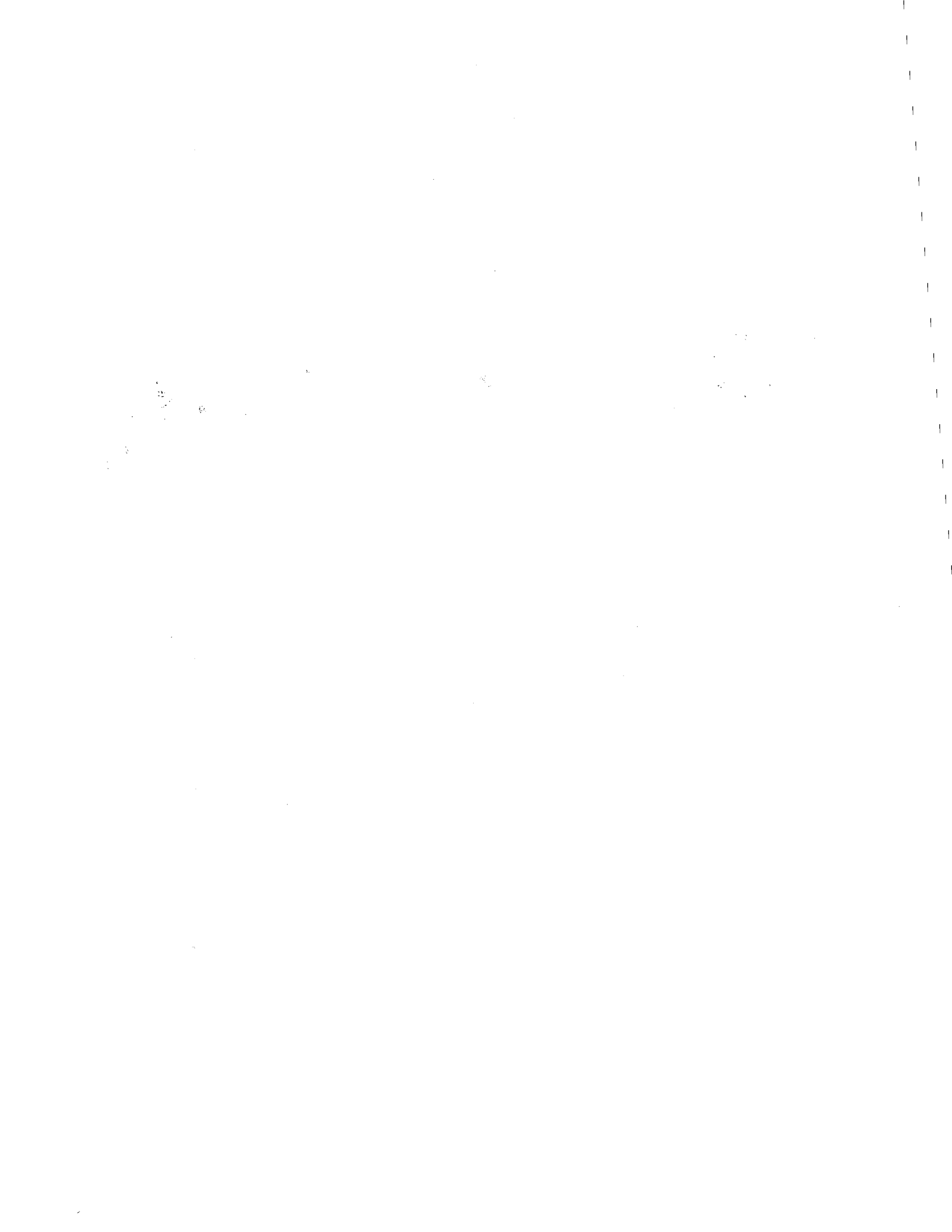
(4) LEGAL COUNSEL. Every association exercising fiduciary powers shall designate, employ or retain legal counsel who shall be readily available to pass upon fiduciary matters and to advise the association and its trust department.

(5) BONDING. Directors, officers and employes of an association engaged in the operation of a trust department shall acquire bond coverage as the commissioner may require.

(6) OATH OR AFFIDAVIT. If the laws of a state require that a corporation acting as trustee, executor, administrator, personal representative or in any capacity specified in this chapter shall take an oath or make an affidavit, the president, vice president, cashier or trust officer of the association may take the necessary oath or execute the necessary affidavit.

NOTE: This section parallels 12 C.F.R. 550.5 and 12 U.S.C. 1464 (n) (7).

S-L 17.05 BOOKS AND ACCOUNTS. (1) GENERAL. Every association exercising trust powers shall keep its fiduciary records separate and distinct from other



ADMINISTRATIVE RULES REVISION:
TABLE OF NEW RULES, OLD RULES AND STATUTES
INTERPRETED OR IMPLEMENTED

NEW RULE	OLD RULE	STATUTE REFERENCE
<u>NEW CH. S-L 1</u>		
s. S-l 1.01	----	see s. 990.01(1)
s. S-L 1.02	----	see ss. 215.01 & 990.01, esp. s. 215.01(1) & (6)
s. S-L 1.03(1)	ss. S-L 4.01(a)(1), 9.02(2), 10.01(1), 13.01(1), 18.01(1), 20.01(1)	see s. 215.01(1), (8), (9) (18), (25) & (26)
s. S-L 1.03(2)	s. S-L 30.13(1)	
s. S-L 1.03(3)	s. S-L 30.02(3)	
s. S-L 1.03(4)	ss. S-L 1.03(1)(c), 50.01(3)	see s. 990.001(4)
s. S-L 1.03(5)	s. S-L 18.01(4)	
s. S-L 1.03(6)	----	see s. 215.01(15)
s. S-L 1.03(7)	s. S-L 28.01(3)	
s. S-L 1.03(8)	----	
s. S-L 1.03(9)	s. S-L 23.01(3)	
s. S-L 1.03(10)	s. S-L 23.01(4)	
s. S-L 1.03(11)	s. S-L 18.01(6)	
s. S-L 1.03(12)	s. S-L 12.01	see s. 215.01(20)
s. S-L 1.03(13)	----	
s. S-L 1.03(14)	s. S-L 28.01(6)	
s. S-L 1.03(15)	s. S-L 18.01(10)	

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TABLE OF NEW RULES, OLD RULES AND STATUTES
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NEW RULE	OLD RULE	STATUTE REFERENCE
<u>NEW CH. S-L 4</u>		
s. S-L 4.01	s. S-L 5.01	\
s. S-L 4.02	s. S-L 5.02)
s. S-L 4.03	s. S-L 5.03	)> s. 215.03(6)(a)3
)
		/
<u>NEW CH. S-L 5</u>		
s. S-L 5.01	s. S-L 12.03	s. 215.24
s. S-L 5.02	s. S-L 12.04	s. 215.03(1)
<u>NEW CH. S-L 6</u>		
s. S-L 6.01	s. S-L 13.15	\
s. S-L 6.02	s. S-L 13.03)
s. S-L 6.03	s. S-L 13.11	)> s. 215.26(3) & (4)
)
		/
s. S-L 6.04	s. S-L 21.01(2) & 21.02	s. 215.13(37)
s. S-L 6.05	s. S-L 13.07(2) & (1)(d)	ss. 215.24(4)
<u>NEW CH. S-L 7</u>		
s. S-L 7.01	----	s. 215.03(1)
s. S-L 7.02	----	ss. 215.03(1) & 215.50(7)
s. S-L 7.03	s. S-L 19.01	\
s. S-L 7.04	s. S-L 19.02	)> s. 215.50(7)
		/
<u>NEW CH. S-L 8</u>		
s. S-L 8.01	s. S-L 27.01	\
s. S-L 8.02	s. S-L 27.03)
s. S-L 8.03	s. S-L 27.05)
s. S-L 8.04	s. S-L 27.07)> ss. 215.02(7)(a) &
s. S-L 8.05	s. S-L 27.09) 215.03(1); also see
s. S-L 8.06	s. S-L 27.11) s. 138.20
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ADMINISTRATIVE RULES REVISION:
TABLE OF NEW RULES, OLD RULES AND STATUTES
INTERPRETED OR IMPLEMENTED

NEW RULE	OLD RULE	STATUTE REFERENCE
<u>NEW CH. S-L 9</u>		
s. S-L 9.01	s. S-L 2.01	s. 215.41(1)
s. S-L 9.02	s. S-L 2.02	\
s. S-L 9.03	s. S-L 2.03	)> s. 215.61(1)
		/
s. S-L 9.04	s. S-L 2.04	ss. 215.41(1) & 215.61(1)
<u>NEW CH. S-L 10</u>		
s. S-L 10.01	s. S-L 3.01	s. 215.42(1)
s. S-L 10.02	s. S-L 3.02	s. 215.62(1)
s. S-L 10.03	----	ss. 215.42(1) & 215.62(1)
s. S-L 10.04	s. S-L 3.03	
<u>NEW CH. S-L 11</u>		
s. S-L 11.01	s. S-L 20.01	ss. 215.13(17) & (18) & 215.22
<u>NEW CH. S-L 12</u>		
s. S-L 12.01	s. S-L 26.01	\
s. S-L 12.02	s. S-L 26.02)
s. S-L 12.03	s. S-L 26.03)
s. S-L 12.04	s. S-L 26.04)
s. S-L 12.05	s. S-L 26.05)
s. S-L 12.06	s. S-L 26.06	)> s. 215.13(46)
s. S-L 12.07	s. S-L 26.07)
s. S-L 12.08	s. S-L 26.08)
s. S-L 12.09	s. S-L 26.09)
s. S-L 12.10	s. S-L 26.10)
s. S-L 12.11	s. S-L 26.11	/

ADMINISTRATIVE RULES REVISION:
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INTERPRETED OR IMPLEMENTED

NEW RULE	OLD RULE	STATUTE REFERENCE
<u>NEW CH. S-L 13</u>		
s. S-L 13.01	s. S-L 18.09	s. 215.21(5)
s. S-L 13.02	----	s. 215.03(5)
s. S-L 13.03(1)	s. S-L 30.20(5)	ss. 215.02(18), 215.13(9), (10), (11), (13), (14) & (15) & 215.21(10), (14), (15), (16) & (28)
s. S-L 13.03(2)	s. S-L 18.15	ss. 215.03(1) & 215.21(18)
s. S-L 13.03(3)	s. S-L 18.05	s. 215.21(1) & (10)
s. S-L 13.03(4)	s. S-L 18.07	s. 215.21(6)
s. S-L 13.03(5)	s. S-L 18.11	s. 215.205(6)
s. S-L 13.04	s. S-L 8.07	s. 138.056(1)(a)4
s. S-L 13.05(1)(a)	s. S-L 30.10	\
s. S-L 13.05(1)(b)	ss. S-L 30.10, 30.11 & 30.16)
s. S-L 13.05(1)(c)	s. S-L 30.20(1))
s. S-L 13.05(1)(d)	s. S-L 30.20(3)	)> ss. 215.02(18) &) 215.135
s. S-L 13.05(1)(e)	s. S-L 30.20(12))
s. S-L 13.05(1)(f)	ss. S-L 23.01 to 23.04	) also see s. 215.13(38)) also see ss. 215.13(45)) & 215.205(1)
s. S-L 13.05(2)	----	/
s. S-L 13.06(1)(a)	s. S-L 30.13	s. 215.03(1)
s. S-L 13.06(1)(b)	s. S-L 30.10(1)	\
s. S-L 13.06(1)(c)	ss. S-L 30.11, 30.13 & 30.16)
s. S-L 13.06(1)(d)	s. S-L 30.20(3))
s. S-L 13.06(1)(e)	----)> ss. 215.02(18) &) 215.135
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ADMINISTRATIVE RULES REVISION:
TABLE OF NEW RULES, OLD RULES AND STATUTES
INTERPRETED OR IMPLEMENTED

NEW RULE	OLD RULE	STATUTE REFERENCE
<u>NEW CH. S-L 13 (cont.)</u>		
s. S-L 13.06(2)	s. S-L 30.13(2)	s. 215.03(1)
s. S-L 13.06(3)	----	s. 215.03(1)
<u>NEW CH. S-L 14</u>		
s. S-L 14.01	s. S-L 22.02	s. 215.13(42)
<u>NEW CH. S-L 15</u>		
s. S-L 15.01	s. S-L 28.02	s. 215.13(26)(f)
<u>NEW CH. S-L 16</u>		
s. S-L 16.01(1)	s. S-L 30.20(2) & (10)	\
s. S-L 16.01(2)	s. S-L 30.11 & 30.16)
s. S-L 16.01(3)	s. S-L 30.17)
s. S-L 16.01(4)	s. S-L 30.18)
s. S-L 16.01(5)	s. S-L 30.20(8))
s. S-L 16.01(6)	s. S-L 30.20(9)	)> ss. 215.02(18) &
s. S-L 16.01(7)	s. S-L 30.20(10)	) 215.135; also see
s. S-L 16.01(8)	s. S-L 30.20(13)	) s. 215.13(44) & (49)
s. S-L 16.01(9)	s. S-L 30.20(14))
s. S-L 16.01(10)	s. S-L 30.21)
s. S-L 16.01(11)	s. S-L 30.25)
s. S-L 16.01(12)	----)
s. S-L 16.02	s. S-L 30.05)
s. S-L 16.03	s. S-L 30.30	/
s. S-L 16.04	s. S-L 30.35	ss. 215.02(18), 215.135 & 215.73
s. S-L 16.04	s. S-L 30.35	ss. 215.02(18), 215.135 & 215.58

ADMINISTRATIVE RULES REVISION:
TABLE OF NEW RULES, OLD RULES AND STATUTES
INTERPRETED OR IMPLEMENTED

NEW RULE	OLD RULE	STATUTE REFERENCE
<u>NEW CH. S-L 17</u>		
s. S-L 17.01	s. S-L 31.01	\
s. S-L 17.02	s. S-L 31.05)
s. S-L 17.03	s. S-L 31.10)
s. S-L 17.04	s. S-L 31.15)
s. S-L 17.05	s. S-L 31.20)
s. S-L 17.06	s. S-L 31.25	) > ss. 215.02(18) &
s. S-L 17.07	s. S-L 31.30	) 215.135
s. S-L 17.08	s. S-L 31.35)
s. S-L 17.09	s. S-L 31.40)
s. S-L 17.10	s. S-L 31.45)
s. S-L 17.11	s. S-L 31.50)
s. S-L 17.12	s. S-L 31.55)
s. S-L 17.13	s. S-L 31.60)
s. S-L 17.14	s. S-L 31.65)
s. S-L 17.15	s. S-L 31.67)
s. S-L 17.16	s. S-L 31.70)
s. S-L 17.17	s. S-L 31.80)
s. S-L 17.18	s. S-L 31.90	/
<u>NEW CH. S-L 18</u>		
s. S-L 18.01(1)	s. S-L 4.01(2)	s. 215.60(2)
s. S-L 18.01(2)	s. S-L 4.01(3)	ss. 215.03(1) & 215.64
s. S-L 18.01(3)	s. S-L 4.01(4)	s. 215.40(2)

ADMINISTRATIVE RULES REVISION:
TABLE OF NEW RULES, OLD RULES AND STATUTES
INTERPRETED OR IMPLEMENTED

NEW RULE	OLD RULE	STATUTE REFERENCE
<u>NEW CH. S-L 19</u>		
s. S-L 19.01	s. S-L 1.21	s. 215.36(1)(b) & (e)
<u>NEW CH. S-L 20</u>		
s. S-L 20.01(1)	s. S-L 50.09(3)	\
s. S-L 20.01(2)	s. S-L 50.09(4))
		)> s. 215.04(2), (3)
		) & (4)
)
s. S-L 20.01(3)	s. S-L 50.09(6)	/ also see ch. 227

ADMINISTRATIVE RULES CHAPTERS

NEW	CURRENT	
	SECTION OR	
<u>CHAPTER NO.</u>	<u>CHAPTER NO.</u>	<u>NEW TITLE</u>
Ch. 1	S-L 1.01 & Others	Definitions
Ch. 2	Ch. 1	General Provisions; Procedures; Commissioner's Authority
Ch. 3	None	Uninsured Associations
Ch. 4	Ch. 5	Annual Statements
Ch. 5	Ch. 12	Net Worth Requirements
Ch. 6	Ch. 13	Records Management and Retention
Ch. 7	Ch. 19	Employment Contracts and Compensation
Ch. 8	Ch. 27	Fairness in Lending

Ch. 9	Ch. 2	Articles of Incorporation
Ch. 10	Ch. 3	Bylaws
Ch. 11	Ch. 20	Real Estate Owned and Other Repossessed Assets
Ch. 12	Ch. 26	Remote Service Units
Ch. 13	Ch. 18,23,30	Loans
Ch. 14	Ch. 22	Real Estate Investments
Ch. 15	Ch. 28	Service Corporation Investments
Ch. 16	Ch. 30	Authorized Activities of Associations
Ch. 17	Ch. 31	Trust Powers
Ch. 18	Ch. 4	Requirements to Organize a New Association
Ch. 19	None	Savings and Loan Holding Companies
Ch. 20	Ch. 50	Review Board Procedures

SECTION 1. Chapters S-L 1 to 50, but not emergency rules ss. S-L 1.22 and 1.23 adopted on December 28, 1988 and effective January 1, 1989, are repealed.

SECTION 2. Chapters S-L 1 to 20 are created to read:

CHAPTER S-L 1

DEFINITIONS

S-L 1.01 Construction of language.

S-L 1.02 Pick-up of statutory definitions.

S-L 1.03 Definitions.

S-L 1.01 CONSTRUCTION OF LANGUAGE. In chs. S-L 1 to 20, unless otherwise indicated, all words and phrases shall be construed according to their common and approved usage unless such construction would produce a result inconsistent with the manifest intent of the legislature in enacting ch. 215, Stats. or of the commissioner and the review board in adopting these rules.

S-L 1.02 PICK-UP OF STATUTORY DEFINITIONS. In Chs. S-L 1 to 20, unless otherwise indicated, words and phrases shall have the meanings specified in ss. 215.01 and 990.01, Stats.

S-L 1.03 DEFINITIONS. In chs. S-L 1 to 20, unless otherwise indicated:

(1) "Association" means a savings and loan association chartered under ch. 215, Stats. or doing business in this state under s. 215.33, Stats.

(2) "Commercial loan" means a secured or unsecured loan to a natural person or business entity for commercial, corporate, business or agricultural purposes.

(3) "Consumer loan" means a secured or unsecured loan, or an interest in a loan, made to a natural person for a personal, family or household purpose. "Consumer loan" includes a loan reasonably incident to lending for a personal, family or household purpose but does not include a loan to a natural person for a commercial, corporate, agricultural or other business activity.

(4) "Days" mean calendar days computed under s. 990.001(4), Stats.

(5) "Development loan" means a loan:

(a) To finance the purchase of land and the accomplishment of all improvements required to convert it to developed building lots; or

(b) Made on the security of real estate upon which all facilities and improvements have been completely installed as required by local regulations and practices so that it is entirely prepared for the erection of structures.

(6) "Federal insuring agency" means the FSLIC or other federal agency insuring the accounts of a given association.

(7) "Financial institution" means a state or federally chartered savings and loan association, bank, credit union or savings bank.

(8) "FSLIC" means the federal savings and loan insurance corporation or any successor to it.

(9) "Mobile home" means a movable dwelling unit that is designed and

constructed for permanent occupancy by a single family and contains permanent eating, cooking, sleeping and sanitary facilities and includes a modular unit in the possession of a dealer or a purchaser who will occupy the unit, provided the unit has not yet been assembled at a permanent site.

(10) "Mobile home loan" in ch. S-L 13 means a loan made on the qualifying security of a mobile home.

(11) "Mortgage insurance" means a policy of insurance indemnifying a lender in whole or in part against losses resulting from a borrower's failure to make contractual payments as specified in a mortgage note.

(12) "Net worth ratio" means the ratio, expressed as a percentage, the numerator of which is the result of subtracting the association's liabilities from its assets and adding to that number unallocated, general loan loss reserves (but not loss reserves for specific, identified losses) and the denominator of which is the association's assets.

(13) "Repossessed", in ch. S-L 11 and s. S-L 16.01(12), means acquired by purchase, exchange, surrender or otherwise as may be necessary to protect or enforce an association's or a subsidiary's security interest or to collect claims or debts owed to either.

(14) "Subsidiary" means any business in which an association directly or indirectly owns an interest, and includes a service corporation, partnership, joint venture and business in which an association indirectly owns an interest

through another subsidiary or a series of subsidiaries.

(15) "Value" means, with reference to real estate securing a mortgage loan, the reasonable market value of the property as appraised.

CHAPTER S-L 2

GENERAL PROVISIONS; PROCEDURES; COMMISSIONER'S AUTHORITY

S-L 2.01 Purpose

S-L 2.02 Safety and soundness

S-L 2.03 Conflicts of interest

S-L 2.04 Supervisory orders

S-L 2.05 Commissioner's authority

S-L 2.06 Complaints against associations

S-L 2.07 Communications with members

S-L 2.01 PURPOSE. The purpose of chs. S-L 1 to 20 is to provide rules and procedures for the organization, incorporation, examination, operation, regulation and supervision of associations, giving primary consideration to the best practices of financial institutions operating in this state. Lending and investment authorities provided under statutes and rules are intended to provide associations the necessary flexibility to maintain their primary role of providing credit for housing related purposes.

S-L 2.02 SAFETY AND SOUNDNESS. (ss. 215.03, 215.50 and 215.70, Stats.) Subject to supervision by the commissioner, the board of directors of each association shall assure that the association operates in a safe and sound

manner, adhering to sound business practices and applicable statutes, rules and federal regulations.

S-L 2.03 CONFLICTS OF INTEREST. (ss. 215.21(17), 215.50 and 215.70, Stats.) When a person in a decision making position with an association must decide between his or her personal financial interests and those of the association, the association is exposed to unnecessary risk. Each officer, director and employe shall avoid such conflict of interest situations. The board of directors of each association shall establish and implement written policies and procedures reasonably calculated to identify potential conflicts of interest and, when reasonably possible, to avoid placing an association's officer, director or employe in such a position. Establishing and implementing policies and procedures that assure compliance with its federal insuring agency's regulations governing transactions between the insured association and affiliated persons shall constitute compliance with this section.

S-L 2.04 SUPERVISORY ORDERS. (s. 215.02(7)(c), Stats.) (1) PURPOSE. To carry out the commissioner's responsibilities, the commissioner may issue a supervisory order when he or she determines that an association is:

(a) Violating the provisions of its articles, bylaws, the laws of this state, or the laws of the United States, or any order or rule issued by the commissioner or by the commissioner and the review board: or

(b) Engaging in any unsafe or unsound practice.

(2) **FORMAT.** A supervisory order issued under s. 215.02(7)(c), Stats. shall be captioned "SUPERVISORY ORDER UNDER SECTION 215.02(7)(c), STATUTES". If it is not so captioned, it does not constitute a supervisory order under that section.

S-L 2.05 COMMISSIONER'S AUTHORITY (ss. 215.03(1) and 215.13(42), Stats.)

The commissioner may:

(1) **LIMIT INVESTMENT OR ACTIVITY.** Restrict or prohibit any investment or activity of an association upon determining that an investment or activity violates or may violate s. S-L 2.02.

(2) **REQUIRE CORRECTIVE ACTION.** Require an association to correct any violation by it or a subsidiary if the association or subsidiary is found to violate any statute, rule or directive of the commissioner. The commissioner may require corrective action when he or she determines an association's lending practices or procedures are imprudent, even though individual loans may comply with applicable statutes and rules.

(3) **REQUIRE HIGHER LIQUIDITY.** Require an association to maintain a higher level of liquidity than the requirement of an applicable federal insuring agency for any association.

(4) **REQUIRE REAPPRAISALS.** Require reappraisals of property securing an association's loan. Such appraisals shall be conducted at the association's expense.

(5) **REQUIRE ACTION WITH REGARD TO UNDERSECURED REAL ESTATE LOANS.** (a)
If the commissioner determines that the current market value of the real

estate collateral and any other collateral that is acceptable security for a mortgage loan is less than the outstanding balance of the loan, require the association to:

1. Obtain additional collateral acceptable to the commissioner;
2. Reduce the book value of the loan to the current market value of the acceptable collateral; or
3. Establish a valuation reserve reflecting the difference between the outstanding balance of the mortgage loan and the current market value of the acceptable collateral.

(b) For purposes of this section the commissioner shall accept collateral of the kind specified in s. S-L 13.03(3)(d)4 and may accept such other collateral as he or she deems appropriate.

(6) SUBSIDIARY EXAMINATIONS AND REPORTS. Examine subsidiaries and require them to file reports of their financial condition when requested.

(7) OTHER ACTION. Take or direct such other action with regard to the affairs of an association as is consistent with the authority of the commissioner under ch. 215, Stats.

S-L 2.06 COMPLAINTS AGAINST ASSOCIATIONS. (1) WHERE TO COMPLAIN. Any person with a complaint against an association who has been unable to satisfactorily resolve it after discussing it with the management of the association involved may complain to the commissioner in writing.

(2) CONTENTS OF WRITTEN COMPLAINTS. Written complaints to the commissioner shall contain:

- (a) The name and address of the complainant.
- (b) The name of the association and the person complained of or involved or both.
- (c) A concise statement of the facts underlying the complaint.
- (d) A statement of the specific action requested of the association.
- (e) If the complainant has discussed the matter with a representative of the association, the dates of any discussions and name of the representatives.

(3) PROCEDURE UPON RECEIPT OF A WRITTEN COMPLAINT. (a) If the respondent is an association which has formed a board with other financial institutions to hear complaints, the commissioner may refer the complaint to that board, if no officer, director or employe of the association being complained about participates as a member of the board in processing the complaint. If there is no such board, or if after using it the complainant or the respondent seeks further aid from the commissioner, the commissioner shall investigate the complaint.

(b) Upon receiving a written complaint, the commissioner shall determine whether additional information is needed and if so, request it. The commissioner may send a copy of the complaint to the chief executive officer of the association complained about and request additional facts and the association's reply.

(c) If after the investigation under pars. (a) and (b), the commissioner

finds probable cause to believe that there has been a violation of an administrative rule or of any provision of ch. 215, Stats., the commissioner shall immediately endeavor to correct the probable violation by conference, conciliation, persuasion or order. If the commissioner determines that the association has corrected the alleged violation, he or she shall dismiss the complaint and so notify the parties. However, if the commissioner determines that efforts at resolution have been unsuccessful, he or she may hold a hearing on the complaint. After the hearing, the commissioner shall issue written findings of fact and conclusions of law, and may make such orders as he or she deems just, reasonable and appropriate.

(d) If after investigation the commissioner finds no probable cause or refers the complaint for action by another person or agency for action, he or she shall so notify the complainant and the association.

S-L 2.07 COMMUNICATIONS WITH MEMBERS. (ss. 215.03(1) and 215.26(8), Stats.) (1) MEMBERS' RIGHT TO COMMUNICATE. (a) Although under s. 215.26(8), Stats., no person may be furnished with a partial or complete list of members, each member of a mutual association shall have the right to communicate with other members of the association under this section.

(b) This section does not apply to any communication which:

1. Without expressed factual foundation, impugns the character, integrity or reputation of any person, makes charges concerning improper or immoral conduct of any person, or impugns the stability or soundness of the

association; or

2. Is not significantly related to the business of the association.

(2) NOTICE TO THE ASSOCIATION. (a) A member wishing to communicate with other members under this section shall furnish the association with a signed request containing:

1. The requesting member's full name and address;
2. The nature and extent of his or her interest in the association;
3. A statement of the reasons for and the purposes of the communication requested;
4. A copy of the proposed communication; and
5. The date of any scheduled meeting of members at which the subject of the communication is expected to be presented for consideration.

(b) The request required in par. (a) shall be furnished to the association not less than 30 days before the annual or special meeting, at which the subject of the communication is to be presented for consideration.

(3) ASSOCIATION'S ACTION UPON RECEIVING NOTICE. (a) Within 5 days after receiving a request under sub. (2), the association shall notify the requestor of:

1. The number of members of the association and the estimated cost that would be incurred by the association in handling and mailing the proposed communication; or

2. The association's decision not to honor the request because the request fails to comply with the requirements of this section or because the

proposed communication is not within the scope of this section, stating the rationale in support of its decision.

(b) If circumstances beyond the association's control are anticipated to prevent mailing of the proposed communication in time for it to be received by members prior to a meeting indicated by the requestor under sub. (2)(a), the association shall so notify the requestor at the earliest possible time.

(c) Unless the association has notified the requestor that it will not honor the request, the association shall, upon receiving a sufficient number of copies of the communication and payment sufficient to defray the association's estimated cost of handling and mailing, mail the communication to all of its members at the earliest practicable date or at such later date as the requestor may specify.

(4) REVIEW BY COMMISSIONER. Upon the request of any member or association, the commissioner may review the appropriateness of form, content, frequency, subject or method of mailing any communication under this section, and the estimated cost of its handling and mailing.

Draft: ch. 3/6 (prev 20/2)

Date: 1/27/89

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CHAPTER S-L 3

UNINSURED ASSOCIATIONS

S-L 3.01 Uninsured associations

S-L 3.01 UNINSURED ASSOCIATIONS. (ss. 215.03(1), 215.11 and 215.21(17), Stats.) An association, the accounts of which are not insured by a federal insuring agency, shall comply with the provisions relating to the following topics to the same extent as if the association were so insured:

(1) SURETY BOND. The surety bond provisions of 12 CFR s. 563.19 to 563.21.

(2) CONFLICT OF INTEREST. The conflict of interest provisions of 12 CFR ss. 563.34, 563.35 and 563.40 to 563.45.

(3) LIQUIDITY. The liquidity provisions of 12 CFR s. 523.11.

(4) APPRAISAL POLICIES AND PRACTICES. The appraisal provisions of 12 CFR ss. 563.17-1a and 571.1b.

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CHAPTER S-L 4

ANNUAL STATEMENTS

S-L 4.01 Annual printed statements.

S-L 4.02 Method of preparation.

S-L 4.03 Publication requirement.

S-L 4.01 ANNUAL PRINTED STATEMENTS. (s. 215.03(6)(a), Stats.) (1) FORM AND CONTENT. The printed statement of condition and operations required by s. 215.03(6)(a)3, Stats., shall be in substantially the following form and shall contain, at a minimum, the following information: [See Figure S-L 4.01(1)]

Draft: ch. 4/3 (prev 5/2)
Date 9/30/88

STATEMENT OF CONDITION

ASSETS	LIABILITIES AND NET WORTH
Cash & Securities.....\$	Deposit Accounts.....\$
Mortgage Loans.....	Borrowed Funds.....
Mortgage Backed Securities.....	Tax & Insurance Escrow.....
Non-Mortgage Commercial	Other Liabilities.....
Loans.....	Total Liabilities.....\$
Consumer Loans.....	Capital Stock &
Real Estate Owned &	Surplus.....\$
Judgements.....	Retained Earnings
Other Repossessed Assets....	Total Net Worth
Equity Investment in	TOTAL
Subsidiaries.....	
Real Estate Investments....	
Office Properties &	
Equipment.....	
Intangible Assets.....	
Other Assets.....	
TOTAL	

Figure S-L 4.01(1)

STATEMENT OF OPERATIONS

Interest and Dividend Income:		Income before General & Ad-
Cash & Securities.....\$	_____	ministrative Expenses, Taxes
Mortgage Loans & Mortgage		& Extraordinary Items.....\$
Securities.....	_____	
Other Loans.....	_____	General & Administrative
Total Interest &		Expenses:
Dividends.....\$	_____	
		Compensation & Benefits....\$
Interest Expense:		Advertising & Promotion....
Deposits & Escrow.....\$	_____	Office Occupancy &
Borrowings.....	_____	Equipment.....
Total Interest Expense...\$	_____	Audit/Exam/FSLIC.....
		Other.....
Net Interest Income.....\$	_____	Total General & Admin.
		Expenses.....\$
Provisions for and Actual		Income before Income Taxes
Losses on Loans and		and Extraordinary items...\$
Repossessed Assets.....\$	_____	
		Income Taxes.....\$
Net Interest Income after		Income before Extraordinary
Losses and Provisions for		Items.....\$
Losses.....\$	_____	
Other Income:		Extraordinary Items.....\$
Loan Fees & Charges.....\$	_____	
Investment Security Gains		NET INCOME (LOSS).....\$
(Losses).....	_____	
Sale of Loans Gains		
(Losses).....	_____	
Net Income (Loss) from		
Subsidiaries.....	_____	
Other Income (Loss).....	_____	
Total Other Income.....\$	_____	

(2) 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.

(3) CAPITAL STOCK ASSOCIATIONS REPORTING TO THE FEDERAL HOME LOAN BANK BOARD. A capital stock association required to file an annual report with the federal home loan bank board in a format prescribed by the securities and exchange commission under 15 U.S.C.s. 78m or 78o(d) will be deemed to comply with this section if it makes available to the public a copy of the statement of income and statement of financial condition required under federal law to be made available to its stockholders.

S-L 4.02 METHOD OF PREPARATION OF ANNUAL PRINTED STATEMENT.

(s. 215.03(6)(a)3, Stats.) (1) ALL ASSOCIATIONS. Except as otherwise required by s. S-L 4.01(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.

(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 condition and operations shall include:

(a) A clearly readable explanation of material adjustments to the net

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income of prior periods; or

(b) A restated statement of operations for the affected periods.

(3) NATIONAL INDUSTRY STANDARD. The commissioner may require associations to prepare statements of condition and operations according to an accounting practice or standard which is not in accordance with generally accepting 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 securities and exchange commission.

(4) FORMS MODIFIED. The commissioner may modify the form prescribed in s. S-L 4.01 to reflect an accounting practice or standard adopted under sub. (3).

(5) WHEN AVAILABLE. Each association shall make available the printed 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 or stockholders.

S-L 4.03 PUBLICATION REQUIREMENT. (s. 215.03(6)(a)3, Stats.) The annual report as submitted to the commissioner under s. 215.03(6)(a)1, Stats., is designated as the condensed form of the annual report which shall be published as a class 1 notice under ch. 985, Stats., in the community in which the association maintains its home office. In addition, the notice shall be

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published in each community in which an association has a branch office or a limited office, in a newspaper of general circulation in that community. Proof of publication of this condensed form shall be submitted to the commissioner within 45 days after the date of the report.

CHAPTER S-L 5

NET WORTH REQUIREMENTS

S-L 5.01 Net worth requirement

S-L 5.02 Other powers retained

S-L 5.01 NET WORTH REQUIREMENT. (s. 215.24, Stats.) (1) LEVEL TO BE MAINTAINED. (a) General provision. Except as provided in par. (b), an association shall at all times maintain a net worth ratio in an amount not less than 6.0%. This level shall be attained according to the following schedule:

1. 4% by January 1, 1988.

2. After each subsequent calendar year, effective January 1 of the following year, until the level of 6% is attained, the minimum required net worth ratio shall increase by the lesser of .25% or the ratio, expressed as a percentage, the numerator of which is the net income for all Wisconsin state chartered savings and loan associations and the denominator of which is the average assets of those associations for the 12 months ending December 31 of that year.

(b) Exceptions. The commissioner may require an association to maintain a net worth ratio higher than that specified in par. (a) if the commissioner determines that the nature of the association's operations otherwise entails a risk requiring a greater net worth ratio to assure the association's stability.

(2) ACTIONS TO RE-ESTABLISH COMPLIANCE. (a) Generally. If an association's net worth ratio falls below the level required under sub. (1), the commissioner may, by order issued under s. S-L 2.04, direct the association to adhere to a specific written plan established by the commissioner to correct the association's net worth ratio deficiency. In addition to any other provisions, the plan may:

1. Require the association to maintain an increased level of liquidity specified by the commissioner.

2. Require the association to cease or limit specified expenditures.

3. Prevent the association from originating or purchasing loans of one or more types.

4. Prevent the association from making specified investments, including investments under ch. S-L 13, 14 or 15, and investments otherwise permitted under s. 215.13(26), Stats.

5. Prevent the association from filing applications for branch offices.

6. Prevent the association from opening customer savings accounts of any specified class, category or amount, or at any specified interest rate.

7. Prevent the association from accepting additions to existing savings

accounts, except under such conditions as may be specified by the commissioner.

(b) Additional measures pertaining to stock associations. Unless the association receives the commissioner's prior written approval, no stock association may pay a dividend to stockholders or otherwise distribute any profits when its net worth ratio is, or if upon such payment or distribution would be, below that required under sub. (1).

S-L 5.02 OTHER POWERS RETAINED. (s. 215.03(2), Stats.) Nothing in this chapter shall limit the commissioner's authority to take such other remedial measures as he or she may deem necessary to safeguard the interests of the public and the association.

CHAPTER S-L 6

RECORDS MANAGEMENT AND RETENTION

S-L 6.01 Destruction of records

S-L 6.02 Records management

S-L 6.03 Records retention requirements

S-L 6.04 Clerical and accounting services

S-L 6.05 Recordkeeping standards

S-L 6.01 DESTRUCTION OF RECORDS. (s. 215.26(3) and (4), Stats.) Except where a longer retention period is required by another state or federal agency having jurisdiction over the association, the commissioner authorizes the destruction of records at the end of the applicable minimum retention period determined under s. S-L 6.03. In the destruction of records, reasonable precautions should be taken to assure the confidentiality of members' accounts.

S-L 6.02 RECORDS MANAGEMENT. (s. 215.26(3) and (4), Stats.) (1) DESIGNATION OF RECORDS MANAGER. The board of directors of each association shall by resolution designate one employe responsible for the supervision and management of the association's program for the preservation, retention and authorized destruction of records, in accordance with this chapter and the applicable requirements of the internal revenue service and other government agencies.

(2) RECORDS MANAGEMENT. If an association utilizes a records storage center or records management service, the center or service must agree in writing to comply with the requirements of this chapter and to produce the association's records in a timely fashion for inspection by the commissioner upon request.

S-L 6.03 RECORDS RETENTION REQUIREMENTS, (s. 215.26(3) and (4), Stats.) Each association shall retain its records in a manner consistent with prudent business practices and in accordance with this chapter and the applicable rules or regulations of state or federal agencies. Each association shall retain its records for the minimum period specified in the technical publication of the Financial Managers Society, Inc. of Chicago, Illinois, titled "Records Retention Guidelines" and dated July 1986.

NOTE; The material incorporated in this rule may be obtained from the Financial Managers Society, Inc., 111 East Wacker Drive, Suite 2221, Chicago, IL. 60601 (phone: (312) 938-2576). A copy is on file at the office of the commissioner, the secretary of state and the revisor of statutes.

S-L 6.04 CLERICAL AND ACCOUNTING SERVICES. Upon specific authorization of its board of directors, an association may cause to be performed any of the following services for itself, whether on or off its premises, by another person for a fee, if assurances satisfactory to the commissioner are furnished to the commissioner by both the association and the party performing the services, that performance will be subject to regulation and examination by the commissioner to the same extent as if the services were performed by the

association on its own premises:

(1) The posting of payments, withdrawals, computation and distribution of earnings on accounts;

(2) The posting of entries on accounts of borrowers, the posting of payments and credits thereon, and the computation of interest and other charges thereon and the computation of the contractual status of loan accounts;

(3) The preparations and mailing of checks, statements, notices and similar items; or

(4) Any other clerical, bookkeeping, accounting, statistical or similar functions.

S-L 6.05 RECORDKEEPING STANDARDS. (1) MICROPHOTOGRAPHY STANDARDS. Microphotography used to commit an association's records to microform shall comply with national bureau of standards requirements for the permanency of film images and shall be so certified by the preparer.

(2) AVAILABILITY FOR EXAMINATION. The association shall provide at its expense such facilities, equipment or services as may be necessary to enable the commissioner to conveniently examine and reproduce individual records.

CHAPTER S-L 7

EMPLOYMENT CONTRACTS AND COMPENSATION

S-L 7.01 Employment contracts.

S-L 7.02 Director compensation.

S-L 7.03 Plans for the deferral of earned income.

S-L 7.04 Other plans.

S-L 7.01 EMPLOYMENT CONTRACTS. (s. 215.50(7), Stats.) An association may enter into an employment contract with an officer or employe of an association. No employment contract may exceed 5 years in duration.

7.02 DIRECTOR COMPENSATION. (ss. 215.50(7) and 215.70(2), Stats.) Members of an association's board of directors may be paid fees which are reasonable and customary. For their work on the board of directors, directors may not receive a bonus or profit sharing proceeds. This does not preclude directors of capital stock associations from receiving stock options to the extent permitted under federal law.

7.03 PLANS FOR THE DEFERRAL OF EARNED INCOME. (s. 215.50(7), Stats.) An association may contract with an officer, director or employe of the association to defer payment of a portion of current income to a later date if the remuneration is currently earned and the deferral is charged to current earnings and is reflected as an association liability.

S-L 7.04 OTHER PLANS. (s. 215.50(7), Stats.) (1) Except as provided by s. S-L 7.03 and sub. (2), an association may enter into a pension plan or deferred compensation agreement, or otherwise provide retirement benefits, only for active or retired full-time officers or employees and not for directors of the association and only if the commissioner and the review board give prior specific approval of each plan or agreement.

(2) Full-time officers and employees of an association's subsidiaries may be included under an association's pension plan or deferred compensation agreement if the subsidiary pays its pro rata share of costs incurred.

CHAPTER S-L 8
FAIRNESS IN LENDING

- | | |
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| S-L 8.01 Purpose | S-L 8.05 Written notice to borrower |
| S-L 8.02 Certain underwriting practices prohibited | required for denial of loan applications |
| S-L 8.03 Discrimination prohibited | S-L 8.06 Fairness in lending notice |
| S-L 8.04 Right to submit loan applications | |

S-L 8.01 PURPOSE. The purpose of this chapter is to require associations to give every applicant an equal opportunity to obtain a loan by evaluating the applicant's credit-worthiness on an individual basis without referring to presumed characteristics of a group or neighborhood.

S-L 8.02 CERTAIN UNDERWRITING PRACTICES PROHIBITED. Unless required by state (including ch. 766, Stats) or federal law or by the rules or regulations of a state or federal agency, no association may utilize an underwriting practice that:

(1) Fails to consider all of the regular and dependable income of each person who will become obligated for payment of the debt.

(2) Varies the terms or criteria of the extension of credit on the basis of the child-bearing capacity of an applicant or an applicant's spouse.

(3) Utilizes lending standards that have no economic basis and are

discriminatory in effect.

S-L 8.03 DISCRIMINATION PROHIBITED. (s. 138.20, Stats.) (1) PROHIBITED BASES OF DISCRIMINATION. No association may, on the grounds of an applicant's physical condition, developmental disability as defined in s. 51.01(5), Stats., sex, marital status, race, color, creed, national origin or ancestry:

(a) Deny a person any form of loan or credit service.

(b) Provide a person with any loan or credit service which is different from, or is provided in a different manner than, that provided other persons similiary situated.

(2) DISCRIMINATION BY LOCATION OF SECURITY. No association may deny or vary the terms of a written loan application on the grounds that a specific parcel of real estate proposed as security for a mortgage loan is located within a given geographic area.

(3) ENFORCEMENT. In the enforcement of this section, the commissioner shall consider business judgments made to achieve genuine business needs, including:

(a) Diversification of an association's investment portfolio.

(b) Operation within the scope of an association's lending experience.

(c) Requiring that the terms of a mortgage loan be such that the amortization of the debt is not less than any reasonably anticipated decline in the value of real property securing the loan.

(d) Compliance with state or federal law or the rules or regulations of a state or federal agency.

S-L 8.04 RIGHT TO SUBMIT LOAN APPLICATIONS. No association may deny an individual an opportunity to submit a written loan application except:

(1) An association may require the application to be accompanied by a loan application fee, when such a fee is charged by the association in the regular course of its business.

(2) An association may require the application to be on a form prepared by the association or accepted by the association for its use.

(3) An association may require an application for a purchase money mortgage to be accompanied by the applicant's accepted offer to purchase the subject property.

(4) An association is not required to accept a loan application for a loan of a type which the association does not extend.

S-L 8.05 WRITTEN NOTICE TO BORROWER REQUIRED FOR DENIAL OF LOAN APPLICATIONS. There shall be a presumption of discrimination, in violation of s. S-L 8.04, if a written loan application is rejected or the loan commitment contains terms other than those originally applied for and the reason for the rejection or modification is not indicated to the applicant in writing. This section does not apply if notice of adverse action given under federal law.

S-L 8.06 FAIRNESS IN LENDING NOTICE. Each association shall maintain in a conspicuous place in each of its offices, for free distribution to the

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public, a sufficient quantity of a notice adequately describing the association's obligations under this chapter to those who apply or wish to apply for loans. The form and content of the notice shall be approved by the commissioner.

CHAPTER S-L 9

ARTICLES OF INCORPORATION

- S-L 9.01 Articles of incorporation of mutual associations
- S-L 9.02 Articles of incorporation of capital stock associations
- S-L 9.03 Optional article of incorporation of capital stock associations
- S-L 9.04 Execution and certification of articles

S-L 9.01 ARTICLES OF INCORPORATION OF MUTUAL ASSOCIATIONS. (s. 215.41(1), Stats.) The following form of articles of incorporation is approved for use by each state chartered mutual association:

ARTICLES OF INCORPORATION

OF THE

(full name of association)

a Wisconsin mutual savings and loan association

Article 1. The name of the association is _____.

Article 2. The purpose of the association is to engage in any lawful activity within the purposes for which a mutual savings and loan association may be organized and operated under Chapter 215 of the Wisconsin Statutes and acts

amending or supplementing that chapter.

Article 3. The capital of the association is unlimited.

Article 4. The number of directors shall be fixed by bylaw, but may not be less than five.

Article 5. Membership in the association is governed by Chapter 215 of the Wisconsin Statutes, and acts amending or supplementing that chapter.

Article 6. The address of the association's home office at the time of adoption of these articles is _____.

Article 7. The names and addresses of the incorporators are: [for new associations only]

S-L 9.02 ARTICLES OF INCORPORATION OF CAPITAL STOCK ASSOCIATIONS. (s. 215.61(1), Stats.) The following form of articles of incorporation is approved for use by each stock association:

ARTICLES OF INCORPORATION
OF THE

a Wisconsin capital stock savings and loan association

Article 1. The name of the association is _____.

Article 2. The purpose of the association is to engage in any lawful activity for which a capital stock savings and loan association may be organized and operated under Chapter 215 of the Wisconsin Statutes and acts amending or supplementing that chapter.

Article 3. The association is authorized to issue _____ shares of common stock having a par value of \$_____ per share.

Article 4. Holders of the capital stock of the association are not entitled to any preemptive right with respect to any shares of the association which may be issued.

Article 5. The number of directors shall be fixed by bylaw, but may not be less than five.

Article 6. The address of the association's home office at the time of adoption of these articles is _____.

Article 7. The names and addresses of the incorporators are: [for new associations only]

S-L 9.03 OPTIONAL ARTICLE OF INCORPORATION OF CAPITAL STOCK ASSOCIATIONS.
(s. 215.61(1), Stats.) The following is an optional approved provision for

articles of incorporation of capital stock associations:

Article 9. Pursuant to the requirements of the Federal Savings and Loan Insurance Corporation's Regulations, the association shall establish and maintain a liquidation account for the benefit of its savings account holders as of _____ ("eligible savers"). In the event of a complete liquidation of the association, it shall comply with such Regulations with respect to the amount and the priorities on liquidation of each of the association's eligible saver's inchoate interest in the liquidation account, to the extent it is still in existence, provided that an eligible saver's inchoate interest in the liquidation account shall not entitle such eligible saver to any voting rights at meetings of the association's stockholders.

S-L 9.04 EXECUTION AND CERTIFICATION OF ARTICLES. (ss. 215.41 and 215.61, Stats.) Articles of incorporation, restated articles of incorporation, and amendments to articles of incorporation shall be executed and certified in a manner acceptable to the commissioner. Two original copies shall be submitted to the commissioner.

CHAPTER S-L 10

BYLAWS

- S-L 10.01 Bylaws of mutual associations
- S-L 10.02 Bylaws of capital stock associations
- S-L 10.03 Optional board of directors' maximum age limitations
- S-L 10.04 Transition

S-L 10.01 BYLAWS OF MUTUAL ASSOCIATIONS. (s. 215.42(1), Stats.) The following form of bylaws is approved for use by each mutual association:

BYLAWS OF THE

(Full name of Association)

1.01 HOME OFFICE. The home office of the association is located at _____
_____ in _____ County, Wisconsin.

2.01 MEMBERSHIP. Each person owning a savings account in the association, except a savings account evidenced by a negotiable certificate of deposit which is not in registered form, is a member of the association. The rights of membership are subject to these bylaws, the association's articles of incorporation, the Wisconsin Statutes, administrative rules and such resolutions as the association's board of directors may from time to time

adopt and which are consistent with the bylaws, articles, statutes and rules.

3.01 MEETINGS OF MEMBERS. (1) ANNUAL MEETING. The annual meeting of members of the association for the election of directors and the transaction of any other business of the association will be held at the association's home office at a time and date within 120 days after the end of the fiscal year fixed by the board of directors. The annual meeting shall be held at: (a) the association's home office or at another place in the same community determined by the board of directors, or (b) at such other location in Wisconsin determined by the board of directors and approved by the commissioner of savings and loan.

(2) SPECIAL MEETINGS. Special meetings of members may be called at any time by the chairperson of the board, the president, or the board of directors. Upon the written request of members of record holding at least 10% of the aggregate savings accounts of the association, the secretary of the association, or a person designated to act in the secretary's absence, will call a special meeting to be held within 60 days after delivery of the request. All requests for special meetings must indicate the purpose for which the meeting is to be called. Written requests for special meetings must be delivered to the association's home office and addressed to its secretary.

(3) CONDUCT OF MEMBERS' MEETINGS. All meetings will be conducted in accordance with the most recent available edition of Robert's Rules of Order, unless other written procedural rules are adopted by the members board of directors and are available to the members. The chief executive officer, or

in the chief executive officer's absence an officer designated by standing resolution of the board of directors, or in the absence of such an officer any person chosen by the members present, will preside over the meeting. The secretary of the association will act as secretary of all members' meetings, but in the absence of the secretary another person will be appointed by the presiding officer to act in that capacity.

(4) NOTICE OF MEMBERS' MEETINGS. The secretary will cause notice of the place, day and hour of a meeting of members to be given at least 10 days but not more than 50 days before the meeting by: (a) mailing the notice to each member at the member's last known post office address as shown by the books of the association; or (b) publishing the notice in a newspaper of general circulation in each community in which the association maintains an office. In addition the notice will be posted in a conspicuous place in each of the association's offices during the 10 days immediately preceding the date on which the meeting will convene. If the meeting is the annual meeting, the notice will so state and will contain an agenda of the meeting. If the meeting is a special meeting, the notice will indicate the purpose of the meeting.

(5) QUORUM. Any number of members present in person or by proxy at any meeting of members constitutes a quorum.

(6) VOTING. The members entitled to vote at a meeting of members are those savers who were members of record at the end of a day determined by the board which shall be not more than 30 days preceding the date of the first day of a

vacancy on the board of directors or to succeed each director whose term will expire at the annual meeting. Nominations made by a member acting in his or her own membership capacity must be in writing and signed by the member.

3. All nominations must be delivered to the association's home office addressed to its secretary at least 20 days before the annual meeting of members. The secretary must cause a list of the names of qualified persons whose nominations for the office of director have been duly filed to be posted in a prominent place in each office of the association for a period of at least 10 days before the date of the annual meeting.

4. No other nomination may be considered at the annual meeting. However, if no nomination has been made by either the nominating committee or by a member as provided above, or if the number of qualified persons nominated is not sufficient to fill the vacancies on the board, nominations may be made from the floor by members in attendance at the annual meeting.

(f) Resignation. A director may resign at any time by delivering a written resignation to the association's home office addressed to its secretary. The written resignation shall take effect upon receipt of the resignation by the secretary or at such later date as may be specified in the notice. Unless excused by a resolution of the board of directors, more than 3 consecutive absences from regular meetings of the board automatically constitute a resignation.

(g) Removal. The board may remove a director for a violation of Chapter 215

of the Wisconsin Statutes, a rule or order of the commissioner of savings and loan, the articles of incorporation, the bylaws, or any law governing savings and loan operations or whenever in the board's judgment removal is in the best interests of the association. A director may only be removed after being afforded an opportunity to be heard by the board.

(2) MEETINGS OF THE BOARD. (a) Regular meetings. Regular meetings of the board of directors will be held at a place, hour and date fixed by a resolution of the board.

(b) Special meetings. Special meetings of the board of directors will be called by the secretary or a person designated to act in the secretary's absence, at the written request of the president, the chairperson of the board, or a majority of the board's members. Each special meeting must be held upon at least 3 days notice to each director given either personally or by telegram or upon at least five days notice by mail, unless the director attends the meeting and does not object to the transaction of business because of improper notice or unless notice is waived in writing by each director before or after the meeting.

(c) Action by unanimous consent. Any action required or permitted to be taken by the board of directors or a committee of the board of directors at a meeting or by resolution may be taken without a meeting if all the directors consent to the action in writing.

(d) Quorum. For all meetings of the board of directors a majority of the

board constitutes a quorum. A majority of the quorum may approve the business of the meeting.

(e) Conduct of meetings. All meetings of the board of directors will be conducted in accordance with the most recent available edition of Robert's Rules of Order, unless other written procedural rules are adopted by the board. The chairperson of the board, or in the chairperson's absence a director designated by the chairperson, or in their absence any director chosen by the directors present, will chair the meeting. The act of the majority of the directors present at any meeting at which there is a quorum is the act of the board, unless the act of a greater number is required by law, the association's articles of incorporation, or these bylaws.

(3) POWERS. To the extent that its actions are not contrary to law, the association's articles of incorporation, or these bylaws, the board of directors may:

(a) Form committees. Create such committees as it deems necessary and prescribe committee duties and authority. Committee members will be appointed by the chief executive officer with the approval of the board.

(b) Remove personnel. Remove any employe or committee member at any time with or without cause and any officer if the board determines that removal is in the best interest of the association.

(c) Extend leniency. Extend leniency to borrowers in distress, and compromise and settle any debts or claims of the association.

(d) Act on applications for membership. Accept or reject any application for membership.

(e) Make donations. Make donations on behalf of the association for the public welfare or for charitable, scientific, educational or religious purposes.

(f) Exercise other powers. Exercise any and all other powers of the association not expressly reserved to the members.

5.01 OFFICERS. (1) DESIGNATION. Each year at the meeting of the board of directors following the annual meeting of members, the board of directors will elect a director to serve as chairperson of the board and will elect a president, a secretary, a treasurer, one or more vice presidents, and any other association officers it may deem necessary. The association's chief executive officer shall be a director. One person may hold two or more offices, but the chief executive officer may not hold the office of secretary or treasurer.

(2) TERM OF OFFICE. The term of each officer is one year or until his or her successor is elected and qualified, unless the officer is removed prior to that time by law or in accordance with these bylaws.

(3) VACANCIES. In case of a vacancy in any office designated in subsection (1), the directors will, as soon as practicable, fill the vacancy for the then unexpired term.

(4) DUTIES. (a) Chief executive officer. The chief executive officer will

serve on a full time basis and shall have responsibility for the general management and control of the affairs and business of the association.

(b) Other officers. Each officer of the association is responsible for performing the duties assigned to his or her office by the board of directors or by law, the association's articles of incorporation, or these bylaws.

6.01 MANDATORY INDEMNIFICATION; The association shall indemnify any present or former officer or director to the extent permitted under ss 215.512 to 215.525 of the Wisconsin statutes or any present or former employe or agent of the association to the same extent as a business corporation may indemnify its employes or agents.

7.01 DELIVERY OF MATERIALS TO THE ASSOCIATION. All materials that these bylaws require to be delivered to the association may be delivered in person or by certified mail. When delivered by certified mail they are deemed to be delivered at the time they are deposited in the United States mail.

8.01 FISCAL YEAR. The fiscal year of the association begins on _____ and ends on _____.
(first day of fiscal year) (last day of fiscal year)

9.01 DISTRIBUTION OF EARNINGS AND NET WORTH. When earnings of the association are distributed to savers, the distribution will be made on the basis of the amount on deposit in each member's savings account, at a rate or

rates determined by the association's account agreement with the saver. In the event of liquidation, all owners of savings accounts in the association will share in the association's net worth, pro rata to the balance in their savings accounts.

10.01 SEAL. The corporate seal of the association consists of two concentric circles between which the name of the association appears. The words "corporate seal" appear at its center.

11.01 AMENDMENTS. (1) BY MEMBERS. The members of the association may amend or repeal these bylaws or adopt new bylaws by the affirmative vote of a majority of all votes cast at a duly called meeting of members.

(2) BY DIRECTORS. These bylaws may also be amended or repealed and new bylaws may be adopted by the board of directors upon an affirmative vote of at least two-thirds of the directors present at a meeting of directors at which a quorum is present.

(3) EFFECTIVE DATE. No change to these bylaws will take effect until it has been filed with and approved by the Commissioner of Savings and Loan.

S-L 10.02 BYLAWS OF CAPITAL STOCK ASSOCIATIONS. (s. 215.62(1), Stats.)

The following form of bylaws is approved for use by each stock association:

BYLAWS OF THE

(Full name of the association)

1.01 HOME OFFICE. The home office of the association is located at _____ in _____ County, Wisconsin.

2.01 APPLICABILITY OF GENERAL CORPORATE LAWS. To the extent that its provisions do not conflict with the association's articles of incorporation, these bylaws, or the laws of this state specifically governing capital stock savings and loan associations, chapter 180 of the Wisconsin Statutes applies to this association and the association's operation.

3.01 MEETINGS OF STOCKHOLDERS. (1) PLACE OF MEETING. Annual and special meetings of stockholders of the association will be held in the state of Wisconsin at a time and place to be designated by the board of directors and stated in the notice of the meeting.

(2) ANNUAL MEETING. The annual meeting of stockholders of the association for the election of directors and the transaction of other business of the association will be held at a time and date within 120 days after the end of the fiscal year as may be fixed by the board of directors. Directors will be elected by majority vote of stockholders present in person or by proxy. If the date fixed for the annual meeting is a legal holiday in this state, the annual meeting will be held on the next succeeding business day.

(3) SPECIAL MEETINGS. Special meetings of stockholders may be called at any time by the chairperson of the board or the president. Upon written request

of the holders of at least 10 percent of the shares entitled to vote at the meeting or of a majority of the board of directors, the secretary of the association, or a person designated to act in the secretary's absence, will call a special meeting to be held within 60 days after the delivery of the request. All requests for special meetings must indicate the purpose for which the meeting is to be called. Written requests for special meetings must be delivered to the association's home office and addressed to the secretary.

(4) NOTICE OF MEETINGS. Written notice of all meetings of the stockholders stating the date, time and place of the meeting will be given to each stockholder of record entitled to vote not less than 10 or more than 50 days before the date of the meeting. Business transacted at a special meeting of stockholders will be limited to the purpose for which the meeting is called, which will be stated in the notice of the special meeting.

(5) QUORUM. A majority of the shares entitled to vote, represented in person or by proxy, constitutes a quorum at a meeting of shareholders. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter is the act of the shareholders, unless the vote of a greater number or voting by classes is required by law or the articles of incorporation and, after persons who may cast a majority of votes are no longer present, the remaining persons present may continue to transact business until adjournment. If less than a quorum of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. If a quorum is present at the adjourned meeting, any business may be

transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than 30 days, or, if after adjournment a new record date is set, a notice of the adjourned meeting will be given each stockholder of record entitled to vote at the meeting.

(6) STOCKHOLDER VOTING; PROXIES. Each stockholder is entitled to one vote in person or by proxy for each share of capital stock owned. A proxy is void after 11 months from the date of its execution unless otherwise provided in the proxy. Each proxy must be in writing and signed by the stockholder or a duly authorized attorney in fact. The board of directors will appoint the persons to vote the proxies solicited by the association's management and may establish rules regarding the validity of a proxy. A proxy may be revoked by delivery of a subsequently dated proxy; delivery of a written notice of revocation to the association's secretary; or voting in person at a meeting.

(7) CONDUCT OF STOCKHOLDERS MEETINGS. All meetings of the stockholders will be conducted in accordance with the most recent available edition of Robert's Rules of Order, unless other written procedural rules are adopted by the board of directors and are available to the stockholders. The chief executive officer, or in the chief executive officer's absence, an officer designated by the board of directors, will preside over the meeting. The secretary of the association will act as secretary of all stockholder meetings, but in the absence of the secretary another person will be appointed by the presiding officer to act in that capacity.

4.01 BOARD OF DIRECTORS. (1) DIRECTORS. (a) Number. The association's board

of Directors consists of _____ directors.

(b) Term. The term of each director is three years, or until his or her death, resignation, removal or a successor is elected and qualified. The terms of directors will be staggered in a manner that will provide for the election of approximately one-third of the board of directors each year.

(c) Qualifications. Directors of the association and persons nominated to serve as a director are subject to such qualifications as may be required by statute and administrative rule.

(d) Vacancies. In case of a vacancy on the board of directors, a majority of the remaining directors may elect a qualified person to fill the vacancy until the next annual meeting of stockholders. At that meeting the stockholders will elect a qualified person to serve for the duration of the unexpired term.

(e) Resignation. A director may resign at any time by delivering a written resignation to the association's home office addressed to its secretary. The written resignation shall take effect upon receipt of the notice of resignation by the secretary or at such later date as may be specified in the notice.

(f) Removal. The board may remove a director or officer for a violation of chapter 215, Wisconsin Statutes, a rule or order of the commissioner of savings and loan, the articles of incorporation or bylaws of the association, or any law governing savings and loan operations. A director may be removed

only after affording him or her an opportunity to be heard by the board.

(2) MEETINGS OF THE BOARD. (a) Regular meetings. Regular and annual meetings of the board of directors may be held without notice at a place, hour and date fixed by a resolution of the board. However, immediately following each annual meeting of stockholders, the directors shall convene and elect general officers for the ensuing year.

(b) Special meetings. Special meetings of the board of directors will be called by the secretary or person designated to act in the secretary's absence, at the written request of the president, the chairperson of the board, or majority of the board's members. All special meetings must be held upon at least three days notice to each director given either personally or by telegram or by five days notice by mail, unless notice is waived by each director at, before, or after the meeting.

(c) Quorum. A majority of the directors constitutes a quorum of the board of directors. A majority of the quorum may approve the business of the meeting. If a quorum is not present, the directors present may adjourn a meeting of the board of directors without notice other than announcement at the meeting until a quorum is present.

(d) Action by unanimous consent. Any action required or permitted to be taken by the board of directors or a committee of the board of directors at a meeting or by resolution may be taken without a meeting if all the directors consent to the action in writing.

(e) Conduct of meetings. Meetings of the board of directors will be conducted in accordance with the most recent available Robert's Rules of Order, unless other written procedural rules are adopted by the board. The chairperson of the board, or in the chairperson's absence a director designated by the chairperson, or in their absence any director chosen by the directors present, will chair the meeting.

(3) COMMITTEES. The board of directors may by resolution create committees and prescribe the duties and powers of committees. Committee members will be appointed by the chief executive officer with the approval of the board. A committee may not take action with respect to dividends to stockholders, election of principal officers or the filling of vacancies on the board of directors or committees of the board of directors.

5.01 OFFICERS. (1) DESIGNATION. Each year, at the board of directors meeting immediately following the annual meeting of stockholders, the board shall elect a director to serve as chairperson of the board and appoint a president, secretary, treasurer, one or more vice presidents, and any other association officers they deem necessary. The board will also designate the president or the chairperson of the board as the association's chief executive officer. One person may hold two or more offices, but the president and the chief executive officer may not hold the office of secretary, vice president, or treasurer.

(2) TERM OF OFFICE. The term of each officer is one year or until his or her

death, resignation, removal or a successor is appointed and qualified, unless the officer is lawfully removed prior to that time.

(3) VACANCIES. In case of a vacancy in any office the board of directors will, as soon as practical, fill the vacancy for the unexpired term.

(4) DUTIES. Each officer of the association is responsible for performing the duties assigned to his or her office by the board of directors, by law, the association's articles of incorporation, or these bylaws. The chief executive officer will serve on a full-time basis.

6.01 INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS. The association shall indemnify any present or former officer or director of the association to the extent permitted under ss. 180.042 to 180.049 of the Wisconsin statutes or any present or former employee or agent of the association to the extent permitted under chapter 180 of the Wisconsin statutes.

7.01 DELIVERY OF MATERIALS TO THE ASSOCIATION. All materials that these bylaws require to be delivered to the association may be delivered in person or by certified mail. When delivered by certified mail they are deemed to be delivered at the time they are deposited in the United States mail.

8.01 CERTIFICATES FOR SHARES AND THEIR TRANSFER. (1) TRANSFER OF SHARES. Shares of the association may be transferred on the stock transfer books of the association only by their holder of record or a duly authorized

representative. All certificates rendered for transfer will be cancelled and no new certificate will be issued until the former certificate for like number of shares has been surrendered. However, in the case of a lost, destroyed or mutilated certificate, a replacement may be issued on such terms and indemnity to the association as the board of directors may prescribe. The person in whose name shares stand on the books of the association will be deemed by the association to be the owner thereof for all purposes.

(2) STOCK REGULATIONS. The board of directors may make further rules governing the issue, transfer and registration of certificates representing the shares of the association.

9.01 FISCAL YEAR. The fiscal year of the association begins on _____ and ends on _____.
(first day of fiscal year) (last day of fiscal year)

10.01 SEAL. The corporate seal of the association consists of two concentric circles between which the name of the association appears. The words "corporate seal" appear at its center.

11.01 AMENDMENTS. (1) BY STOCKHOLDERS. The stockholders of the association may amend or repeal these bylaws or adopt new bylaws by the affirmative vote of a majority of all votes cast at a meeting of stockholders.

(2) BY DIRECTORS. These bylaws may also be amended or repealed and new bylaws may be adopted by the board of directors upon an affirmative vote of at

least two-thirds of the directors present at a meeting of directors at which a quorum is present.

(3) EFFECTIVE DATE. No change to these bylaws will take effect until it has been filed with and approved by the Commissioner of Savings and Loan.

S-L 10.03 OPTIONAL BOARD OF DIRECTORS' MAXIMUM AGE LIMITATIONS. An association may add limitations on the maximum age at which persons may be nominated to the board of directors or at which persons may continue to serve as a board member. The limitations shall be stated in the association's bylaws, within article 4.01(1)(c) ("qualifications of directors"), using one of the following forms:

(1) In addition, no person may be nominated for the office of director if he or she is more than _____ years of age.

(2) In addition, except for directors serving on the board at the time of the adoption of this bylaw, no person may be nominated for the office of director if he or she is more than _____ years of age.

(3) In addition, no director may serve beyond the annual meeting of the association following the date on which he or she becomes _____ years of age.

(4) In addition, no director may serve beyond the annual meeting of the association following the date on which he or she becomes _____ years of age, although persons serving as directors at the time of the adoption of this

bylaw may continue to serve for the unexpired portion of their present terms.

(5) In addition:

1) No person may be nominated for the office of director if he or she is more than _____ years of age.

2) No director may serve beyond the annual meeting of the association following the date on which he or she becomes _____ years of age.

(6) In addition:

1) No person may be nominated for the office of director if he or she is more than _____ years of age.

2) No director may serve beyond the annual meeting of the association following the date on which he or she becomes _____ years of age, although persons serving as directors at the time of adoption of this bylaw may continue to serve for the unexpired portion of their present terms.

(7) In addition:

1) Except for directors serving on the board at the time of the adoption of this bylaw, no person may be nominated for the office of director if he or she is more than _____ years of age.

2) No director may serve beyond the annual meeting of the association following the date on which he or she becomes _____ years of age.

(8) In addition:

1) Except for persons serving as directors at the time of the adoption of this bylaw, no person may be nominated for the office of director if he or she is more than _____ years of age.

2) No director may serve beyond the annual meeting of the association following the date on which he or she becomes _____ years of age, although persons serving as directors at the time of the adoption of this bylaw may continue to serve for the unexpired portion of their present terms.

(9) In addition, except for persons serving as directors at the time of the adoption of this bylaw:

1) No person may be nominated for the office of director if he or she is more than _____ years of age.

2) No director may serve beyond the annual meeting of the association following the date on which he or she becomes _____ years of age.

S-L 10.04 TRANSITION. Unless the commissioner and the review board specifically approve a different form after the effective date of this section, each association shall conform its bylaws to the approved form under s. S-L 10.01 or S-L 10.02 by the sooner of the following times:

(1) The next time an association amends its bylaws; or

(2) Two years after the effective date of this rule [revisor inserts

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date].

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CHAPTER S-L 11
REAL ESTATE OWNED
AND
OTHER REPOSSESSED ASSETS

S-L 11.01 REAL ESTATE OWNED AND OTHER REPOSSESSED ASSETS. (s. 215.22, Stats.) (1) VALUE CARRIED ON BOOKS. Real estate and other assets repossessed by an association shall be carried on the books at their estimated market value and in accordance with generally accepted accounting principles.

(2) APPRAISALS. When real estate is repossessed, the association shall have it appraised. The real estate shall be subsequently reappraised if:

(a) There is a material change in its use or condition; or

(b) Reappraisal is ordered by the commissioner.

CHAPTER S-L 12

REMOTE SERVICE UNITS

S-L 12.01 Joint rule	S-L 12.07 Allocation of liability
S-L 12.02 Definitions	S-L 12.08 Customer service and disclosure requirements
S-L 12.03 Advance notice and approval required	S-L 12.09 Charge backs
S-L 12.04 Restrictions on access prohibited	S-L 12.10 Advertising restrictions
S-L 12.05 Discriminatory rates or services prohibited	S-L 12.11 Filing of supplemental information
S-L 12.06 Confidentiality and security requirements	

S-L 12.01 JOINT RULE. This chapter is promulgated as a joint rule by the office of the commissioner of savings and loan and the office of the commissioner of banking in accordance with s. 215.13(46)(a)1, Stats.

S-L 12.02 DEFINITIONS. In this chapter:

(1) "Commissioner" means the commissioner of savings and loan or his or her authorized representative.

(2) "Days" mean calendar days computed under s. 990.001(4), Stats.

(3) "Financial institution" means a state or federal savings and loan

association, a state or national bank, a state or federal credit union or a mutual savings bank.

(4) "Remote service unit" means a remote service unit as defined in s. 215.13(46)(a), Stats., or a remote terminal as defined in s. 186.113(15)(b), Stats., or a customer bank communications terminal as defined in s. 221.04(1)(k), Stats.

(5) "Supplier" means any person furnishing equipment, goods or services used to complete any function performed through a given remote service unit.

S-L 12.03 ADVANCE NOTICE AND APPROVAL REQUIRED. Each association proposing to engage in an activity authorized under s. 215.13(46), Stats., or proposing to change the place or manner in which it engages in such an activity shall file with the commissioner an application containing such information as the commissioner may from time to time prescribe. No association may commence any such activity unless the place and manner in which the activity is conducted has been approved by the commissioner in writing or the commissioner does not take written objection to the association's completed application within 30 days after it has been filed under this section. If the commissioner regularly receives information on additions, deletions or changes in locations of remote service units from a supplier, an association is excused from filing an application merely to add, delete or change the place at which it offers the services. An association may not commence or continue to engage in any activity authorized under s. 215.13(46), Stats., if, in the opinion of the commissioner, the activity is

beyond the financial or management capabilities of the association, would result in unfair competition among financial institutions, or is otherwise in violation of this chapter.

S-L 12.04 RESTRICTIONS ON ACCESS PROHIBITED. (1) GENERAL PROVISIONS. Except as provided in sub. (2), no association may directly or indirectly acquire, place or operate a remote service unit, and no association may participate in the acquisition, placement or operation of a remote service unit, unless the unit is available on a nondiscriminatory basis to the following financial institutions and their designated customers:

(a) Any financial institution that has its home office in this state;

(b) Any other association which is qualified to do business in this state and has obtained the written consent of a savings and loan association that has its home office in this state and is making use of the unit; and

(c) Any other bank which is qualified to do business in this state and has obtained the written approval of a bank that has its home office in this state and is making use of the unit; and

(d) Any other credit union which is qualified to do business in this state and has obtained the written consent of a credit union that has its home office in this state and is making use of the unit.

(2) EXCEPTIONS. The temporary limitation of access to a remote service unit to

designated customers of designated financial institutions for reasonable test periods determined by the commissioner will not be deemed in violation of this section if approved by the commissioner in writing. The commissioner may approve such limitations if:

(a) The commissioner considers it necessary or desirable to permit restricted operation during periods of testing or experimentation; or

(b) The commissioner determines that the accommodation of additional users is beyond the capacity of existing equipment and a good faith effort is being made to accommodate them within a reasonable period of time determined by the commissioner.

S-L 12.05 DISCRIMINATORY RATES OR SERVICES PROHIBITED. A remote service unit will not be deemed available for use on a nondiscriminatory basis unless:

(1) USER FEES. The fees charged to a financial institution for the use of the unit by the institution or its customers are equitably apportioned and reasonably reflect the costs of the services actually provided to the institution or customer. Such fees may provide for the amortization of development costs and capital expenditures over a reasonable period of time.

(2) CUSTOMER SERVICES. Each financial institution making use of the unit may permit its customers to make use of all of the functions performed by the unit at each location of the unit or only those functions and locations that such institution elects to make available to its customers.

(3) TECHNICAL INFORMATION AND SPECIFICATIONS. Each supplier provides at reasonable cost such technical information and specifications as may be necessary to enable a financial institution that is eligible to use the unit, or any data processor serving the accounts of such an institution, to obtain interface with the unit.

(4) OTHER REQUIREMENTS. No financial institution eligible to use the unit is required to purchase from any supplier any goods, equipment or services not reasonably necessary to complete a transaction through the unit.

S-L 12.06 CONFIDENTIALITY AND SECURITY REQUIREMENTS. No association may directly or indirectly acquire, place or operate a remote service unit, and no association may participate in the acquisition, placement or operation of a remote service unit, unless precautions acceptable to the commissioner are provided to:

(1) PRECAUTIONS AGAINST UNAUTHORIZED ACCESS. Prevent unauthorized access to, or use of, the unit.

(2) PRECAUTIONS TO ASSURE CONFIDENTIALITY. Prevent information regarding a transaction conducted through the unit from being disclosed to any person other than:

(a) The customer making the transaction;

(b) Any other person who is a party to the transaction or is necessary to

effect the transaction, but only to the extent that the information disclosed is necessary to effect the transaction; or

(c) Those persons lawfully authorized to have access to the records of the association or of parties to the transaction.

(3) UNSOLICITED ACCESS TO REMOTE SERVICE UNITS PROHIBITED. Ensure that the plastic card or other means providing its customers access to the unit is issued only:

(a) In response to a request or application therefor; or

(b) As a renewal of, or in substitution for, an accepted card or other means of access, whether issued by the initial issuer or a successor.

S-L 12.07 ALLOCATION OF LIABILITY. (1) BETWEEN ASSOCIATION AND THIRD PARTIES. Each activity authorized under s. 215.13(46), Stats., shall be conducted in accordance with a written agreement between the association and any participating merchant, service center, data processor or other third party, setting out the manner in which liability from errors, malfunctions or the unauthorized use of a remote service unit will be allocated between the parties.

(2) LIMITED CUSTOMER LIABILITY FOR UNAUTHORIZED USE. (a) The liability of a customer of an association for the unauthorized use of a plastic card or other means providing the customer access to a remote service unit may not exceed the lesser of the following:

1. \$50.

2. The amount of any money, property or services obtained by its unauthorized use prior to the time the association is notified of, or otherwise becomes aware of, circumstances which lead to the belief that unauthorized access to the customer's account may be obtained. Notice is sufficient when the customer takes such steps as may reasonably be required in the ordinary course of business to provide the association with the pertinent information.

(b) A customer furnishing another person with the plastic card or other means providing access to the customer's account through a remote service unit shall be deemed to authorize all transactions that may be accomplished by that means until the customer has given actual notice to the association that further transactions are unauthorized.

S-L 12.08 CUSTOMER SERVICE AND DISCLOSURE REQUIREMENTS. (1) PERIODIC STATEMENTS. An association shall provide each customer with a periodic statement of each account of the customer that is accessible through a remote service unit. The statement shall be provided on a monthly basis for each month in which a transaction occurs, or once every 3 months, whichever is more frequent. The statement shall identify the date, location and nature of each transaction. An account statement issued under this subsection may include transactions made through a remote service unit or otherwise.

(2) TRANSACTION DOCUMENTATION. Every transfer of funds made through a remote service unit by a customer of an association shall be evidenced by a

written document made available to the customer at the time of the transaction. The document shall indicate with reasonable specificity the identity of any third party to whom funds are electronically transferred, the identity of the customer's account, the amount of funds transferred, the type of transaction and the date of the transaction. A customer may be required to reenter an access device, such as a card, at a terminal in order to receive transaction documentation if all the following conditions are met:

(a) The terminal simultaneously controls distribution of products at several locations on the same site to more than one customer;

(b) Each customer must remove the access device from the terminal and move to another location in order to complete the transaction; and

(c) The terminal cannot produce transaction documentation for a particular transaction until the customer completes distribution of the product and the amount of the transaction is known.

(3) WRITTEN DISCLOSURE OF SERVICES AND CHARGES. Each customer of an association whose account with the association is accessible through a remote service unit shall be provided with a written statement of the terms and conditions governing the account. Such a statement shall be provided at the time that the customer is issued a card or other means affording access through the remote service unit, and whenever the terms and conditions governing the account are amended. The statement shall set out:

(a) Applicable limitations on the customer's liability for unauthorized use of the means providing access through the remote service unit, and the

address and telephone number of the person to be notified in the event that the means affording the customer access through the remote service unit is lost or stolen or the customer otherwise believes that unauthorized access to the account may be obtained.

(b) The customer's right to a periodic statement of transactions affecting the account.

(c) An initial disclosure of the specific transactions which, subject to the capabilities of individual terminals, may be performed through the remote service unit.

(d) Any charges to the customer for account maintenance or for the use of the remote service unit.

(e) Any limitation imposed on the number of remote service unit transactions permitted within any given period of time.

S-L 12.09 CHARGE BACKS. When any sale of goods or services is paid directly through a remote service unit and involves an aggregate transfer of funds of \$50 or more from an account of a customer in an association to the account of another person but does not involve a check or draft, the association shall reverse the transaction and recredit the customer's account upon receipt of oral or written notice by the customer within 3 business days after the date of the sale. "Business day" means the part of any day on which an association is open for carrying on substantially all of its business functions.

S-L 12.10 ADVERTISING RESTRICTIONS. No advertising with regard to a remote service unit used by an association or its customers may suggest exclusive ownership or control of the unit by any financial institution. If use of a unit is restricted under s. S-L 12.04(2) to designated financial institutions all advertisements regarding the unit shall clearly state that use of the unit will be available to customers of other financial institutions at the end of the period of restricted use authorized by the commissioner.

S-L 12.11 FILING OF SUPPLEMENTAL INFORMATION. Each association engaging in an activity authorized under s. 215.13(46), Stats., shall file with the commissioner such additional information regarding its activity as the commissioner may from time to time require.

CHAPTER S-L 13

LOANS

S-L 13.01 Loans to one borrower

S-L 13.02 Loan policies

S-L 13.03 Mortgage loans

S-L 13.04 Approval of indexes used for variable rate loans

S-L 13.05 Consumer loans

S-L 13.06 Commercial loans

S-L 13.01 LOANS TO ONE BORROWER. (s. 215.21(5), Stats.) (1) LOANS TO ONE BORROWER. Except as otherwise authorized by the commissioner in writing, the aggregate of an association's mortgage, consumer and commercial loans to one borrower may not exceed the lesser of the association's net worth or 5% of the association's assets.

(2) SINGLE LOAN AND PROJECT LIMITATION. Except as otherwise authorized by the commissioner in writing, no loan or group of loans on one real estate project may exceed 25% of the association's net worth.

(3) COMMERCIAL LOANS. The aggregate of commercial loans to one borrower is subject to the limitations contained in 12 CFR s. 563.9-3(b)(2).

(4) LOANS TO SUBSIDIARIES. Loans to association subsidiaries, which are

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subject to commissioner approval under ch. S-L 14 or S-L 15 are not restricted by this section.

(5) CALCULATION. In this subsection, the unpaid balance of a loan is deemed to remain a loan to the original borrower unless the borrower conveys title to the mortgaged property to another person who assumes responsibility for the payment of the mortgage and the association releases the original borrower of liability for the loan's repayment. In calculating limitations under this section, participating interests sold are not included.

13.02 LOAN POLICIES. (s. 215.03(1), Stats.) Each association's board of directors shall adopt written policies to direct the association's mortgage, consumer and commercial loan activities.

S-L 13.03 MORTGAGE LOANS. (ss. 215.02(18) and 215.135, Stats.) (1) AUTHORITY. An association may invest in, sell, purchase, participate or otherwise deal in mortgage loans or interests in mortgage loans without geographic restriction including loans made on the security of residential cooperative units.

(2) APPRAISAL. New mortgage loans originated shall be supported by a reasonably current appraisal containing a level of information commensurate to the size and nature of the real estate appraised.

(3) MAXIMUM LOAN TO VALUE RATIOS. (a) Definition. In this subsection, "first lien" includes any mortgage the priority of which is insured over any other lien or encumbrance by a title insurance policy issued to the mortgage lender.

(b) Limitations. 1. 'First lien mortgages.' Except as provided in par. (d), an association may not make a loan secured by a first lien mortgage in an amount in excess of 90% of the value of the real estate security.

2. 'Junior liens.' An association may not make a loan secured by a mortgage other than a first lien mortgage in an amount in excess of:

a. The maximum amount the association would be authorized to lend on the security of a first lien on the mortgaged property; minus

b. The face amount of all other outstanding loans secured by the mortgaged property and any other unsatisfied liens against that property.

(c) Calculation. In calculating the loan to value ratio under this subsection, the value of the qualifying real estate security is limited to that attributable to the real estate if used in a manner consistent with its current or intended use.

(d) Exceptions: Loans to 100% of value. An association may make a loan in an amount up to 100% of the value of the real estate security if:

1. The part of the loan that exceeds 90% of the value of the property is insured or guaranteed by a mortgage insurance company that the federal home loan mortgage corporation has determined to be a "qualified private insurer:"

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2. The loan or the part of the loan that exceeds 90% of the value of the property is insured or guaranteed by an agency or instrumentality of a state or the federal government whose full faith and credit is pledged to support the insurance or guarantee;

3. Made in conjunction with a governmental subsidy, insurance or guarantee program approved by the commissioner; or

4. The loan is fully secured by: the cash surrender value of an insurance policy on the life of any person responsible for the loans payment; negotiable securities, the principal and interest of which is guaranteed by the U.S. government; bonds, notes or other evidences of indebtedness, constituting the general obligation of a municipality; or savings accounts or certificates of deposit in an insured institution.

5. The loan is to facilitate the sale of real estate owned or real estate in judgment.

(4) TERM. (a) Length. The term of a mortgage loan may not exceed 30 years or such other term permitted for any other lender authorized to make first lien real estate loans in this state, commencing with the latter of:

1. The date of closing;
2. The date of the first contractual monthly principal and interest payment;
3. The date of any additional advance;

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4. The date of any properly executed loan modification agreement; or
5. The date of any interest rate increase under the terms of a note permitting or requiring changes in the interest rate.

(b) Amortization. The rate of amortization on a mortgage loan may vary during the term of the loan, may be negative, and may result in a lump sum payment at maturity.

(5) DEVELOPMENT LOANS. (a) Maximum term. The term of a development loan may not exceed 5 years, but may be extended for periods of one year or less if:

1. The borrower makes a request to the association for an extension;
2. All taxes on the property and all contractual payments on the loan are current; and
3. The borrower and the association execute a written extension agreement.

(b) Appraisals and other documentation. Before making a development loan an association must obtain:

1. An appraisal.
2. A statement from the borrower indicating the borrower's intended use of the property. If further improvements must be made to the land to make it suitable for the construction of a dwelling unit and loan proceeds are

expected to be used in that development, the statement shall include a development schedule and the estimated cost of those improvements.

(c) Release schedule. When a development loan is secured by more than one lot:

1. The association and the borrower must enter into a written agreement governing the release of individual lots from the association's security interest.

2. No portion of the qualifying real estate security may be released unless:

a. The association has obtained an appraisal that individually sets forth the value of each developed lot and of any qualifying security remaining to be developed; and

b. The ratio of the unpaid balance of the association's loan to the value of the remaining real estate security will not exceed the applicable maximum loan to value ratio under sub. (3).

S-L 13.04 APPROVAL OF INDEXES USED FOR VARIABLE RATE LOANS UNDER S. 138.056, Stats. (s. 138.056(1)(a)4a, Stats.) (1) Except as provided in sub. (2), each index used by an association for a variable rate loan which requires the approval of the commissioner under s. 138.056(1)(a)4a, Stats. must be approved in writing.

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(2) Under s. 138.056(1)(a)4a, Stats., the following indexes are determined to be readily verifiable by borrowers and beyond the control of an individual lender and are hereby approved for use in variable rate loans under s. 138.056, Stats.:

(a) The "prime rate" of interest which is published in the "money rates" column of the Wall Street Journal, midwestern edition.

(b) The following indexes as reported periodically by a district federal home loan bank:

1. The monthly average cost of funds for the federal home loan bank district.

2. The "national monthly median cost of funds for FSLIC-insured institutions".

3. The "national average mortgage contract interest rate" on conventional mortgage loans closed for purchasing previously occupied single-family homes by all major lenders.

(c) The weekly average yield on U.S. treasury securities adjusted to a constant maturity of 1,2,3, or 5 years reported in the "Federal Reserve Statistical Release", a weekly publication of the Federal Reserve Board.

S-L 13.05 CONSUMER LOANS. (ss. 215.02(18) and 215.135, Stats.) (1)

ACTIVITIES AUTHORIZED. An association may:

(a) Consumer loans. Invest in, sell, purchase, participate in, make or otherwise deal in consumer loans.

(b) Consumer leases. Lease tangible personal property acquired under s. S-L 16.01(2) to a natural person for a personal, family or household purpose.

(c) Credit cards. Issue credit cards, extend credit in connection with credit cards and otherwise engage in or participate in credit card operations.

(d) Overdraft loans. Extend secured or unsecured credit to cover payment of drafts or other funds transfer orders in excess of the available balance of an account on which they are drawn.

(e) Education loans. Make loans for the payment of educational expenses.

(f) Mobile home loans. Make mobile home loans on mobile homes to be used as the borrower's residence.

(2) ASSOCIATION POLICY REQUIRED. The board of directors of each association making consumer loans shall establish a maximum dollar limit for such loans over which any unsecured portion of a consumer loan must be supported by a borrower's current, sworn financial statement obtained prior to the extension of credit and updated at least annually. This limit may be incorporated into the association's consumer loan policy.

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S-L 13.06 COMMERCIAL LOANS. (ss. 215.02(18) and 215.135, Stats.) (1)

ACTIVITIES AUTHORIZED. An association may:

(a) Commercial loans. Invest in, sell, purchase, participate in, make or otherwise deal in commercial loans.

(b) Consumer-related loans. Make loans to dealers in consumer goods to finance inventory, including floor planning loans.

(c) Commercial leases. Lease tangible personal property or real property acquired under s. S-L 16.01(2) for commercial, corporate, business or agricultural purposes.

(d) Overdraft loans. Extend secured or unsecured credit to cover payment of drafts or other funds transfer orders in excess of the available balance of an account on which they are drawn.

(e) "Indirect" commercial loans. Make an indirect commercial loan by purchasing commercial debt securities of a corporation which securities do not qualify as authorized investments.

(2) LIMITATION. No association may make loans under this section exceeding 10% of its assets unless a greater amount is authorized in writing by the commissioner.

(3) ASSOCIATION POLICY REQUIRED. The board of directors of each association making commercial loans shall establish a maximum dollar limit for

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such loans over which any unsecured portion of a commercial loan must be supported by a borrower's balance sheet and statement of operations attested to by an officer prior to the extension of credit and updated at least annually. This limit may be incorporated into the association's commercial loan policy.

CHAPTER S-L 14

REAL ESTATE INVESTMENTS

S-L 14.01 Real estate investments limited

S-L 14.01 REAL ESTATE INVESTMENTS LIMITED. (s. 215.13(42), Stats.) (1)

"REAL ESTATE INVESTMENT" DEFINED. An association's real estate investment includes:

- (a) Funds advanced for the purchase, development and operation of the real estate.
- (b) Partnership and joint venture capital contributions.
- (c) Mortgage loans, commercial loans, loan guarantees and letters of credit related to underlying real estate in which the association has invested.
- (d) Liability for debt of the partnership or joint venture.
- (e) Any other association obligation for direct or contingent payment of debt relating to the real estate project.

(2) An association may make a real estate investment if:

(a) The commissioner gives prior written approval after reviewing a feasibility study, a recent appraisal provided by the association and other information which he or she may require; and

(b) The association's real estate investment does not directly or indirectly benefit an officer, director or employe of the association or of a subsidiary in excess of reasonable employment compensation unless the commissioner gives prior written approval.

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(3) This section does not apply to a real estate investment permitted under s. 215.22 or 215.23, Stats.

CHAPTER S-L 15
INVESTMENTS IN SUBSIDIARIES

S-L 15.01 Subsidiary investments authorized.

S-L 15.01 SUBSIDIARY INVESTMENTS AUTHORIZED. (s. 215.13(26)(f), Stats.)

- (1) "INVESTMENT IN SUBSIDIARIES" DEFINED. An association's investment in subsidiaries includes:
- (a) Capital stock and paid in surplus.
 - (b) Partnership or joint venture capital contributions.
 - (c) Mortgage loans, commercial loans, loan guarantees and letters of credit related to a subsidiary in which an association has invested.
 - (d) Liability for the debt of a partnership or joint venture.
 - (e) Any other obligation for direct or contingent payment of a subsidiary's debt.

(2) CONDITIONS OF INVESTMENT. An association may make an investment in subsidiaries under s. 215.13(26)(f), Stats., if:

- (a) The commissioner gives prior written approval of the investment; and
- (b) The subsidiary agrees:
 - 1. To restrict its activities to those authorized in writing by the commissioner;
 - 2. To be 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 it;

3. To file any report requested by the commissioner, submit to periodic examination by the commissioner and pay the expense of the examinations and audits;

4. Not to directly or indirectly enter into a business venture with an officer, director or employe of a the association or of a subsidiary unless the commissioner gives prior written approval.

5. To maintain books in accordance with generally accepted accounting principles.

6. To make all books and records available for examination by the commissioner on a timely basis.

(3) APPLICATION CONTENTS. (a) Corporations. An application for approval of investment in a corporation under this section shall contain:

1. A copy of the corporation's articles of incorporation certified by an officer of the corporation;

2. A copy of the corporation's bylaws;

3. A copy of the certificate of newly-elected officers;

4. An agreement by the corporation and each of its subsidiaries to comply with sub. (2)(b); and

5. Other information which the commissioner may require.

(b) Partnerships and joint ventures. An application for approval of an investment in a partnership or joint venture under this section shall contain

the partnership or joint venture agreement and other information which the commissioner may require.

(4) SPECIAL APPROVAL. An association may make an investment in a subsidiary in which it has less than a majority and controlling interest only if the commissioner gives prior written approval.

(5) APPROVAL CONSIDERATIONS. In acting under this section, factors which the commissioner shall consider include:

(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 19;

(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 subsidiaries.

CHAPTER S-L 16

AUTHORIZED ACTIVITIES OF ASSOCIATIONS

S-L 16.01 Powers of an association

S-L 16.02 Election of loan or investment classification

S-L 16.03 Absorptions

S-L 16.04 Conversion to stock association

S-L 16.01 POWERS OF AN ASSOCIATION (ss. 215.02(18) and 215.135, Stats.)

An association may:

(1) THIRD PARTY PAYMENTS. With or without fee, transfer an accountholder's funds from any account of or pursuant to any credit arrangement with the accountholder in the association or in another financial institution to a third party or to another account of the accountholder, in accordance with the accountholder's order or authorization. Such transfer may be made by any mechanism or device if the transfer otherwise conforms with applicable laws and established commercial practices.

(2) LEASES. Become the legal or beneficial owner of, or invest in, tangible personal property or real property for the purpose of leasing the property or obtain an assignment of a lessor's interest in a lease of tangible personal property or real property.

(3) DEMAND ACCOUNTS. Accept and maintain noninterest bearing demand

accounts:

(a) From persons that have a business, corporate, commercial or agricultural loan relationship with the association; or

(b) For the sole purpose of effectuating payment to such persons by a nonbusiness customer.

(4) LETTERS OF CREDIT. Issue commercial and standby letters of credit under the uniform commercial code or the uniform customs and practice for documentary credits and pledge collateral to secure its obligations under letters of credit.

(5) LOANS WITH RECOURSE. Sell loans or participation interests in loans with recourse.

(6) FEDERAL TAX DEPOSITORY. Serve as depository for federal taxes or as treasury tax and loan depository subject to regulation of the U. S. treasury department, and as a depository of public money and fiscal agent of the U.S. government or, when designated by an instrumentality and approved by the commissioner, of any other instrumentality of the government.

(7) SAVINGS ACCOUNT FEES. Charge fees in connection with the administration of any type of savings accounts except that 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.

(8) MAKE INSURED DEPOSITS. Invest in time deposits, savings accounts, certificates or other accounts of any institution the accounts of which are insured by the FSLIC or the federal deposit insurance corporation.

(9) GOVERNMENT OBLIGATIONS. Invest in obligations of or issued by any state, territory or possession of the United States or political subdivision of any state, territory or possession (including any agency, corporation or instrumentality). An association may invest in an obligation under this subsection only if the obligation continues to hold one of the four highest national investment grade ratings or is issued by a public housing agency and backed by the full faith and credit of the United States, except an association may invest not more than 1% of its assets in obligations of a state or political subdivision where an office of the association is located, regardless of rating.

(10) INDIVIDUAL RETIREMENT AND KEOGH PLAN ACCOUNTS. (a) Act as trustee of any trust created or organized in the United States and forming part of a stock bonus, pension or profit-sharing plan qualifying for specific tax treatment under s. 401(d) of the Internal Revenue Code or trustee or custodian of an individual retirement account, as defined in s. 408(a) of the Internal Revenue Code, with no active fiduciary duties if:

1. The association invests the funds only in the association's own accounts, deposits, obligations or securities; or

2. The association invests the funds in such other assets as the customer may direct and the association does not exercise any investment discretion or directly or indirectly provide any investment advice with respect to the trust or account.

(b) An association acting as trustee or custodian pursuant to par. (a) shall include in bold type on the first page of any contract documents the following language: "Funds invested pursuant to this agreement are not insured by the federal savings and loan insurance corporation ('FSLIC') merely because the trustee is an institution the accounts of which are covered by such insurance. Only investments in the accounts of such an institution are insured by the FSLIC, subject to its rules and regulations."

(11) MONEY MARKET ACCOUNT. Offer a money market account to the extent permitted by a federally chartered savings and loan association under 12 USC s. 1464 (b) and 12 C.F.R. s. 561.11f.

(12) SALVAGE POWERS. Accept financial or other assets in satisfaction of a troubled debt or in trade for repossessed property, which assets must be carried on the association's books at no greater than market value, or take such other actions related to a troubled debt approved in writing by the commissioner. The value of any real property accepted in trade must be supported by a current appraisal.

S-L 16.02 ELECTION OF LOAN OR INVESTMENT CLASSIFICATION. (ss. 215.02(18) and 215.135, Stats.) If an association makes an investment or loan under more

than one section of the statutes or this chapter, the association may designate under which section the investment or loan or any portion of either is made and may change its designation at any time.

S-L 16.03 ABSORPTIONS. (ss. 215.02(18) and 215.135, Stats.) A stock association may, subject to the approval of the commissioner, 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.

S-L 16.04 CONVERSION TO STOCK ASSOCIATION. (ss. 215.02(18), 215.135 and 215.58 Stats.) (1) A mutual association may:

(a) Convert to a stock association as part of a transaction in which a holding company is organized to acquire, upon issuance, all the capital stock of the converted association. In such a transaction, savers of the converting association shall receive, without payment, nontransferable rights to purchase all of the capital stock of the newly formed holding company. All of the shares of capital stock of the holding company not purchased in the subscription offering shall be offered and sold in a public offering or a direct community offering. Prior to offering stock to savers or the public the association shall obtain a valuation of the association by an independent expert using commonly accepted valuation methods. The valuation shall be included in the plan submitted under s. 215.58, Stats. The total price at which the capital stock shall be sold shall be established by the independent valuation.

(b) Convert to a stock association as part of a transaction in which an existing holding company acquires, upon issuance, all the capital stock of the converted association. In such a transaction, the savers of the converting association shall receive, without payment, nontransferable rights from the holding company to purchase its equity securities. Equity securities of the holding company issued in the transaction which are not purchased in the subscription offering shall be offered and sold in a public offering or a direct community offering. Prior to offering stock to savers or the public the association shall obtain a valuation of the association by an independent expert using commonly accepted valuation methods. The valuation shall be included in the plan submitted under s. 215.58, Stats. The total price at which the securities of the holding company shall be sold shall be established by the independent valuation.

(c) Convert to a stock association through absorption by an existing insured stock association which is a wholly owned subsidiary of a holding company. In such a transaction the savers of the converting association shall receive, without payment, nontransferable rights from the holding company to purchase its equity securities. Equity securities of the holding company issued in the conversion transaction which are not purchased in the subscription offering shall be offered and sold in a public offering or a direct community offering. Prior to offering stock to savers or the public the association shall obtain a valuation of the association by an independent expert using commonly accepted valuation methods. The valuation shall be included in the plan submitted under s. 215.58, Stats. The total price at which the equity securities of the holding company shall be sold shall be established by the independent valuation.

Chapter S-L 17

TRUST POWERS

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S-L 17.01 DEFINITIONS. In this chapter:

(1) "Account": means the trust, estate or other fiduciary relationship which has been established with an association.

(2) "Custodian under a uniform gifts to minors act" means an account established under ss. 880.61 to 880.71, Stats., or a substantially similar law of another state, and with respect to which the association operating the account has established to the satisfaction of the commissioner that it has duties and responsibilities similar to the duties and responsibilities of a trustee or guardian.

(3) "Fiduciary" means an association undertaking to act alone, through an affiliate, or jointly with others primarily for the benefit of another in all matters connected with its undertaking and includes but is not limited to trustee, executor, administrator, personal representative, guardian, receiver, managing agent, registrar of stocks and bonds, escrow agent, transfer agent, paying agent, trustee of employe pension, welfare and profit-sharing trusts, or any other similar capacity.

(4) "Fiduciary records" means all matters which are written, transcribed, recorded, received or otherwise come into the possession of an association and are necessary to preserve information concerning the actions and events relevant to the fiduciary activities of an association.

(5) "Guardian" means the guardian, conservator, or committee by whatever

name employed by local law of the estate of an infant, an incompetent individual, an absent individual, or a competent individual over whose estate a court has taken jurisdiction, other than under bankruptcy or insolvency laws. "Guardian" includes, but is not limited to, a guardian or conservator appointed by a court under ch. 880, Stats.

(6) "Investment authority" means the responsibility conferred by action of law or a provision of an appropriate governing instrument to make, select or change investments, to review investment decisions made by others, or to provide investment advice or counsel to others.

(7) "Local law" means the law of the state or other jurisdiction governing the fiduciary relationship.

(8) "Managing agent" means the fiduciary relationship assumed by an association upon the creation of an account which names the association as agent and confers investment discretion upon the association.

(9) "Plan" means a plan adopted under s. S-L 17.14.

(10) "State chartered corporate fiduciary" means any state bank, trust company, or other corporation which comes into competition with associations and is permitted to act in a fiduciary capacity under the laws of this state.

(11) "Trust department" means that group of officers and employes of an association or of an affiliate of an association to whom are assigned the

performance of fiduciary services by the association.

(12) "Trust powers" means the power to act in any fiduciary capacity.

NOTE: This section parallels 12 C.F.R. 550.1

S-L 17.02 SPECIAL PERMIT. The commissioner may, on application, grant a special permit to an association or affiliate of an association to exercise trust powers. Except as permitted under s. 215.13, Stats. or s. S-L 16.01(10) no association may exercise trust powers without obtaining such a permit.

NOTE: Sentence one parallels 12 U.S.C. 1464 (n) 1.

S-L 17.03 FILING APPLICATIONS. (1) APPLICATION. An application filed under s. S-L 17.02 shall indicate the trust services the association wishes to offer and provide the information necessary to make the determinations under sub. (2).

(2) FACTORS CONSIDERED. Factors the commissioner will consider in passing upon an application to exercise trust powers include, but are not limited to, the following:

(a) The financial condition of the association, except trust powers may not be granted to an association if its financial condition is such that the association does not meet the financial standards required of state chartered corporate fiduciaries;

(b) The needs of the community for fiduciary services and the probable volume of fiduciary business available to the association.

(c) The general character and ability of the management of the association;

(d) The nature of the supervision to be given to the fiduciary activities, including the qualifications, experience and character of the proposed officers of the trust department; and

(e) Whether the association has available legal counsel to advise and pass upon fiduciary matters.

NOTE: This section parallels 12 C.F.R. 550.2.

S-L 17.04 ADMINISTRATION OF TRUST POWERS. (1) GENERAL PROVISIONS. (a) Responsibility of the board of directors. The board of directors of an association is responsible for the proper exercise of fiduciary powers by the association. All matters pertinent to the exercise of fiduciary powers, including the determination of policies, the investment and disposition of property held in a fiduciary capacity, and the direction and review of the

actions of all officers, employees, and committees utilized by the association in the exercise of its fiduciary powers, are the responsibility of the board. The board of directors may assign, by action entered in the minutes, the administration of any of the association's trust powers to a director, officer, employee, or committee.

(b) Administration of accounts. No fiduciary account may be accepted without the prior approval of the board of directors, or of the director, officer, employee or committee to whom the board may have assigned the performance of that responsibility. A written record shall be made of acceptances and of the relinquishment or closing out of all fiduciary accounts. Upon the acceptance of an account for which the association has investment responsibilities, the association shall make a prompt review of the assets. The board shall also ensure that at least once during every calendar year thereafter, and within 15 months of the last review, all the assets held in or held for each fiduciary account for which the association has investment responsibilities are reviewed to determine the advisability of retaining or disposing of the assets. The board shall act to ensure that all investments have been made in accordance with the terms and purposes of the governing instrument.

(2) USE OF OTHER ASSOCIATION PERSONNEL. The trust department may utilize personnel and facilities of other departments of the association, and other departments of the association may utilize personnel and facilities of the trust department unless prohibited by law.

(3) COMPLIANCE WITH FEDERAL SECURITIES LAWS. Every association

(d) Convert to a stock association through absorption by an existing insured stock association as part of a transaction in which the capital stock of the existing association are issued. In such a transaction in which the existing insured stock association is the survivor, the savers of the converting association shall receive, without payment, nontransferable rights from the existing stock association to purchase its capital stock in lieu of capital stock of the converting association. Capital stock of the existing stock association issued in the conversion transaction which is not purchased in the subscription offering shall be offered and sold in a public offering or a direct community offering. Prior to offering stock, the association shall obtain a valuation of the association by an independent expert using commonly accepted valuation methods. The valuation shall be included in the plan submitted under s. 215.58, Stats. The aggregate price at which the capital stock of the existing or the converting association shall be sold shall be established by independent valuation.

(2) Except as otherwise explicitly provided by this section, ch. 215, Stats. applies to a conversion or absorption under this section.

records of the association. All fiduciary records shall be kept and retained for such time as to enable the association to furnish any information or reports with respect to the records as may be required by the commissioner. The fiduciary records shall contain full information on each account.

(2) RECORD OF PENDING LITIGATION. Every association shall keep an adequate record of all pending litigation to which it is a party in connection with its exercise of trust powers.

NOTE: This section parallels 12 C.F.R. 550.6.

S-L 17.06 AUDIT OF TRUST DEPARTMENT. At least once during each calendar year, the association's trust department shall be audited by auditors in a manner consistent with s. 215.25, Stats. A copy of the report of the audit shall be promptly filed with the commissioner. Trust department audits may be made as part of the audits required by s. 215.25, Stats.

NOTE: This section parallels 12 C.F.R. 550.7.

S-L 17.07 SEGREGATION OF ASSETS; PROHIBITED DEPOSITS. Associations exercising any of the powers enumerated in this chapter shall segregate all assets held in any fiduciary capacity from the general assets of the association. No association may receive in its trust department deposits of current funds subject to check or the deposit of checks, drafts, bills of exchange, or other items for collection or exchange purposes.

NOTE: This section parallels 12 U.S.C. 1464 (n) (3) and (4) and is intended to prohibit operating a check clearing exchange through a trust account.

S-L 17.08 FUNDS AWAITING INVESTMENT OR DISTRIBUTION. (1) GENERAL. Funds held in a fiduciary capacity by an association awaiting investment or distribution may not be held uninvested or undistributed any longer than is reasonable for the proper management of the account.

(2) USE BY ASSOCIATION IN REGULAR BUSINESS. Funds held in trust by an association, including managing agency accounts, awaiting investment or distribution may, unless prohibited by the instrument creating the trust or by local law, be deposited in other departments of the association, except the association shall first set aside under control of the trust department as collateral security:

(a) Direct obligations of the United States, or other obligations fully guaranteed by the United States as to principal and interest;

(b) Readily marketable securities of the classes in which state chartered corporate fiduciaries may invest trust funds; or

(c) Other readily marketable securities as the commissioner may determine.

(3) CONTINGENT LIEN. An association shall ensure that in the event of its failure, the owners of the funds held in trust for investment under this

chapter shall have a lien on the bonds or other securities set apart under sub. (2) in addition to their claim against the estate of the association.

(4) AMOUNT OF COLLATERAL. Collateral securities or securities substituted for collateral securities as collateral shall at all times be at least equal in face value to the amount of trust funds deposited under sub. (2), but the security is not required to the extent that the funds so deposited are insured by the Federal Savings and Loan Insurance Corporation.

(5) PRODUCTIVITY. Any funds held by an association as fiduciary awaiting investment or distribution and deposited in other departments of the association shall be made productive.

NOTE: This section parallels 12 C.F.R. 550.8 and 12 U.S.C. 1464 (n) (5).

S-L 17.09 INVESTMENT OF FUNDS HELD AS FIDUCIARY. (1) PRIVATE TRUSTS. Funds held by an association in a fiduciary capacity shall be invested in accordance with the instrument establishing the fiduciary relationship and local law. If the instrument does not specify the character or class of investments to be made and does not give the association, its directors, or its officers investment discretion in the matter, funds held under the instrument may be invested in any investment in which state chartered corporate fiduciaries may invest under local law.

(2) COURT TRUSTS. If, under local law, corporate fiduciaries appointed by a court are permitted to exercise discretion in investments, or if an

association acting as fiduciary under appointment by a court is vested with discretion in investments by an order of the court, funds of the accounts may be invested in any investments which are permitted by local law. Otherwise, an association acting as fiduciary under appointment by a court shall make all investments of funds in such accounts under an order of that court. The orders in either case shall be preserved with the fiduciary records of the association.

(3) COLLECTIVE INVESTMENT OF TRUST FUNDS. The collective investment of funds received or held by an association as fiduciary is governed by ss. S-L 17.13 and 17.14.

S-L 17.10 SELF-DEALING. (1) PURCHASES. Unless authorized by the instrument creating the relationship, or by court order or local law, funds held by an association as fiduciary shall not be invested in:

(a) Stock or obligations of, or property acquired from, the association or its directors, officers, or employees, or individuals with whom there exists a connection, or organizations in which there exists an interest, which may affect the exercise of the best judgment of the association in acquiring the property; or

(b) Stock or obligations of, or property acquired from, affiliates of the association or their directors, officers or employees.

(2) LOANS. No association may lend any officer, director, or employe any

funds held in trust under the powers conferred by this chapter.

(3) SALE OR TRANSFER. Property held by an association as fiduciary shall not be sold or transferred, by loan or otherwise, to the association or its directors, officers, or employees, or to individuals with whom there exists a connection, or organizations in which there exists such an interest, which may affect the exercise of the best judgment of the association in selling or transferring the property, or to affiliates of the association or their directors, officers or employees, except:

(a) When lawfully authorized by the instrument creating the relationship or by court order or by local law;

(b) The association may, if it has been advised by its counsel in writing that it has incurred as fiduciary a contingent or potential liability and desires to relieve itself from the liability, so sell or transfer property with the approval of the board of directors and the commissioner. The association, upon the consummation of the sale or transfer, shall make reimbursement in cash at no loss to the account;

(c) As provided in the laws and rules governing collective investments;
or

(d) When required by the commissioner.

(4) INVESTMENT IN STOCK OF ASSOCIATION. Except as provided in s. S-L 17.08, funds held by an association as fiduciary shall not be invested by the

purchase of stock or obligations of the association or its affiliates unless authorized by the instrument creating the relationship or by court order or by local law. However, if the retention of stock or obligations of the association or its affiliates is authorized by the instrument creating the relationship or by court order or by local law, it may exercise rights to purchase its own stock or securities convertible into its own stock when offered pro rata to stockholders, unless forbidden by local law. When the exercise of rights or receipt of a stock dividend results in fractional share holdings, additional fractional shares may be purchased to complement the fractional shares so acquired. In elections of directors, an association's share held by the association as sole trustee, whether in its own name as trustee or in the name of its nominee, may not be voted by the registered owner unless, under the terms of the trust, the manner in which the shares shall be voted may be determined by a donor or beneficiary of the trust and the donor or beneficiary actually directs how the shares will be voted.

(5) TRANSACTIONS BETWEEN ACCOUNTS. (a) An association may sell assets held by it as fiduciary in one account to itself as fiduciary in another account if the transaction is fair to both accounts and if such transaction is not prohibited by the terms of any governing instrument or by local law.

(b) An association may make a loan to an account from the funds belonging to another account, when the making of loans to a designated account is authorized by the instrument creating the account from which the loans are made, and is not prohibited by local law, and the terms of the transaction are fair to all accounts.

(c) An association may make a loan to an account and may take as security assets of the account, provided the transaction is fair to the account and is not prohibited by local law.

NOTE: This section parallels 12 C.F.R. 550.10 and 12 U.S.C. 1464 (n) (8).

S-L 17.11 CUSTODY OF INVESTMENTS. (1) SEGREGATION OF TRUST ASSETS AND JOINT CUSTODY. The investments of each account shall be kept separate from the assets of the association, and shall be placed in the joint custody or control of not fewer than 2 of the officers or employes of the association designated for that purpose either by the board of directors of the association or by one or more officers designated by the board of directors of the association, and all such officers and employes shall be adequately bonded. To the extent permitted by law, an association may permit the investments of a fiduciary account to be deposited elsewhere.

(2) SEGREGATION OF ACCOUNTS. The investments of each account shall be either:

(a) Kept separate from those of all other accounts, except as provided in s. S-L 17.13; or

(b) Adequately identified as the property of the relevant account.

NOTE: This section parallels 12 C.F.R. 550.11.

S-L 17.12 COMPENSATION OF ASSOCIATION. (1) GENERAL. If the amount of the compensation for acting in a fiduciary capacity is not regulated by local law or provided for in the instrument creating the fiduciary relationship or otherwise agreed to by the parties, an association acting in such capacity may charge or deduct a reasonable compensation for its services. When the association is acting in a fiduciary capacity under appointment by a court, it shall receive the compensation allowed or approved by that court or by local law.

(2) OFFICER OR EMPLOYEE OF ASSOCIATION AS CO-FIDUCIARY. No association may except with the specific approval of its board of directors, permit any of its officers or employees, while serving as a co-fiduciary, to retain any compensation for acting as a co-fiduciary with the association in the administration of any account undertaken by it.

(3) BEQUESTS OR GIFTS TO TRUST OFFICERS AND EMPLOYEES. No association may permit an officer or employee engaged in the operation of its trust department to accept a bequest or gift of assets held in a fiduciary capacity by the association unless the bequest or gift is directed or made by a relative or is approved by the board of directors of the association.

NOTE: This section parallels 12 C.F.R. 550.12.

S-L 17.13 COLLECTIVE INVESTMENT. (1) When not prohibited by local law, funds held by an association as fiduciary may be held in:

(a) A common trust fund maintained by the association exclusively for the collective investment and reinvestment of moneys contributed to the common trust fund by the association in its capacity as trustee, executor, administrator, personal representative, guardian, or custodian under a uniform gifts to minor act;

(b) A fund consisting solely of assets of retirement, pension, profit sharing, stock bonus or other trusts which are exempt from federal income taxation under the Internal Revenue Code.

(2) Collective investments of funds or other property by an association under sub. (1) shall be administered in accordance with s. S-L 17.14. Any documents required to be filed with the comptroller of the currency under 12 C.F.R. 9.18 shall also be filed with the commissioner who may review the documents for compliance with all relevant laws and rules.

(3) As used in this section and s. S-L 17.14, the term association includes 2 or more associations which are members of the same affiliated group with respect to any fund established under this section of which any of the affiliated associations is trustee, or of which 2 or more of the affiliated associations are co-trustees.

NOTE: This section parallels 12 C.F.R. 550.13.

S-L 17.14 COMMON TRUST FUNDS. Investment of funds or other property

under s. S-L 17.13 shall be administered as follows:

(1) Each collective investment fund shall be established and maintained in accordance with a written plan which shall be approved by a resolution of the association's board of directors and filed with the commissioner. A copy of the plan shall be available at the principal office of the association for inspection during all business hours, and upon request a copy of the plan shall be furnished to any person. The plan shall contain appropriate provisions not inconsistent with this chapter as to the manner in which the fund is to be operated. The plan shall include provisions relating to:

(a) The investment powers and a general statement of the investment policy of the association with respect to the fund;

(b) The allocation of income, profits and losses;

(c) The terms and conditions governing the admission or withdrawal of participations in the fund;

(d) The auditing of accounts of the association with respect to the fund;

(e) The basis and method of valuing assets in the fund, setting forth specific criteria for each type of asset;

(f) The minimum frequency for valuation of assets of the fund;

(g) The period following each valuation date during which the valuation may be made (which period in usual circumstances shall not exceed 10 business days);

(h) The basis upon which the fund may be terminated; and

(i) Other matters as may be necessary to define clearly the rights of participants in the fund.

(2) Property held by an association in its capacity as trustee of retirement, pension, profit-sharing, stock bonus or other trusts which are exempt from federal income taxation under any provisions of the Internal Revenue Code may be invested in collective investment funds established under s. S-L 17.13(1)(a) or (b) subject to restrictions under this section. Assets of retirement, pension, profit-sharing, stock bonus, or other trusts which are exempt from federal income taxation under section 401 of the Internal Revenue Code may be invested in collective investment funds established under s. S-L 17.13(1)(b) if the fund qualifies for tax exemption under Revenue Ruling 56.267 and following rulings.

(3) All participants in a collective investment fund shall be on the basis of a proportionate interest in all of the assets. In order to determine whether the investment of funds received or held by an association as fiduciary in a participation in a collective investment fund is proper, the association may consider the collective investment fund as a whole and shall not, for example, be prohibited from making the investment because any

particular asset is nonincome producing.

(4) Not less frequently than once during each period of 3 months an association administering a collective investment fund shall determine the value of the assets in the fund as of the date set for the valuation of assets. No participation shall be admitted to or withdrawn from the fund except:

(a) On the basis of the valuation;

(b) As of the valuation date; and

(c) On written request for or notice of intention of taking that action which is entered on or before the valuation date in the fiduciary records of the association and approved in the manner the board of directors prescribes. No requests or notice may be canceled or countermanded after the valuation date.

(5)(a) An association administering a collective investment fund shall at least once during each period of 12 months cause an adequate audit to be made of the collective investment fund by auditors responsible only to the board of directors of the association. In the event the audit is performed by independent public accountants, the reasonable expenses of the audit may be charged to the collective investment fund.

(b) An association administering a collective investment fund shall at

least once during each period of 12 months prepare a financial report of the fund. This report, based upon the audit required under par. (a), shall contain a list of investments in the fund showing the cost and current market value of each investment; a statement for the period since the previous report showing purchases, with cost; sales, with profit or loss and any other investment changes; income and disbursements; and an appropriate notation as to any investments in default.

(c) The financial report under par. (b) may include a description of the fund's value on previous dates, as well as its income and disbursements during previous accounting periods. No predictions or representations as to future results may be made. In addition, as to funds described in s. S-L 17.13(1)(a) neither the report nor any other publication of the association may make reference to the performance of funds other than those administered by the association.

(d) A copy of the financial report required under par. (b) shall be furnished, or notice shall be given that a copy of the report is available and will be furnished without charge upon request, to each person to whom a regular periodic accounting would ordinarily be rendered with respect to each participating account. A copy of the financial report may be furnished to prospective customers. The cost of printing and distribution of these reports shall be borne by the association. In addition, a copy of the report shall be furnished upon request to any person for a reasonable charge. The fact of the availability of the report for any fund described in s. S-L 17.13(1)(a) may be given publicity solely in connection with the promotion of the fiduciary

services of the association.

(e) Except as provided in this section an association may not advertise or publicize its collective investment fund described in s. S-L 17.13(1)(a).

(5) When participations are withdrawn from a collective investment fund, distributions may be made in cash or ratably in kind, or partly in cash and partly in kind except that all distributions as of any one valuation date shall be made on the same basis.

(6) If for any reason an investment is withdrawn in kind from a collective investment fund for the benefit of all participants in the fund at the time of the withdrawal and the investment is not distributed ratably in kind, it shall be segregated and administered or realized upon for the benefit ratably of all participants in the collective investment fund at the time of withdrawal.

(7)(a) No association may have any interest in a collective investment fund other than in its fiduciary capacity. Except for temporary net cash overdrafts or as otherwise specifically provided under this section, it may not lend money to a fund, sell property to, or purchase property from a fund. No assets of a collective investment fund may be invested in stock or obligations, including time or savings deposits, of the association or any of its affiliates except that deposits may be made of funds awaiting investment or distribution. Subject to this chapter, funds held by an association as fiduciary for its own employes may be invested in a collective investment

fund. An association may not make any loan on the security of a participation in a fund. If, because of a creditor relationship or otherwise, the association acquires an interest in a participation in a fund, the participation shall be withdrawn on the first date on which withdrawal can be affected. However, an unsecured advance until the time of the next valuation date to an account holding a participation is not deemed to constitute the acquisition of an interest by the association.

(b) Any association administering a collective investment fund may purchase for its own account from the fund any defaulted fixed income investment held by the fund, if in the judgment of the board of directors the cost of segregation of the investment would be greater than the difference between its market value and its principal amount plus interest and penalty charges due. If the association elects to so purchase the investment, it shall do so at its market value or at the sum of cost, accrued unpaid interest, and penalty charges, whichever is greater.

(8) Except in the case of collective investment funds described in s. S-L 17.13(1)(b):

(a) No funds or other property may be invested in a participation in a collective investment fund if as a result of the investment the participant would have an interest aggregating in excess of 10 percent of the then market value of the fund except in applying this limitation if two or more accounts are created by the same persons and as much as one-half of the income or principal of each account is payable or applicable to the use of the same

persons the accounts shall be considered as one.

(b) No investment for a collective investment fund shall be made in stocks, bonds, or other obligations of any one person, firm, or corporation if as a result of the investment the total amount invested in stocks, bonds or other obligations issued or guaranteed by the person, firm or corporation would aggregate in excess of 10% of the then market value of the fund except this limitation does not apply to investments in direct obligations of the United States or other obligations fully guaranteed by the United States as to principal and interest.

(c) Any association administering a collective investment fund shall maintain in cash and readily marketable investments a portion of the assets of the fund sufficient to provide adequately for the needs of participants and to prevent inequities between the participants. If, prior to any admissions to or withdrawals from a fund, the association determines that after affecting the admissions and withdrawals which are to be made less than 40% of the value of the remaining assets of the collective investment fund would be composed of cash and readily marketable investments, no admissions to or withdrawals from the fund may be permitted as of the valuation date upon which the determination is made except a ratable distribution upon all participants may be made.

(9) The reasonable expenses incurred in servicing mortgages held by a collective investment fund may be charged against the income account of the fund and paid to servicing agents, including the association administering the

fund.

(10)(a) An association may transfer up to 5% of the net income derived by a collective investment fund from mortgages held by the fund during any regular accounting period to a reserve account. No transfers shall be made which would cause the amount in the account to exceed 1% of the outstanding principal amount of all mortgages held in the fund. The amount of the reserve account, if established, shall be deducted from the assets of the fund in determining the fair market value of the fund for the purposes of admissions and withdrawals.

(b) At the end of each accounting period all interest payments which are due but unpaid with respect to mortgages in the fund shall be charged against the reserve account to the extent available and credited to income distributed to participants. If interest payments are subsequently recovered by the fund, the reserve account shall be credited with the amount recovered.

(11) An association administering a collective investment fund shall exclusively manage the fund. The association may charge a fee for the management of the collective investment fund. The fractional part of the fee proportionate to the interest of each participant shall not, when added to any other compensations charged by an association to a participant, exceed the total amount of compensations which would have been charged to the participant if no assets of the participant had been invested in participations in the fund. The association shall absorb the costs of establishing or reorganizing a collective investment fund.

(12) No association administering a collective investment fund may issue any certificate or other document evidencing a direct or indirect interest in the fund in any form.

(13) No mistake made in good faith and in the exercise of due care in connection with the administration of a collective investment fund violates this chapter if promptly after the discovery of the mistake the association takes whatever action may be practicable in the circumstances to remedy the mistake.

S-L 17.15 INDEMNITY FUND. An association applying for trust powers under this chapter shall comply with s. 220.04(7)(b) 3, Stats. and s. Bkg 15.04.

S-L 17.16 SURRENDER OF TRUST POWERS. (1) Any association may surrender its rights to exercise trust powers by filing with the commissioner a certified copy of a resolution of its board of directors.

(2) Upon receipt of the resolution under sub. (1) the commissioner shall make an investigation and if satisfied that the association has been discharged from all fiduciary duties which it has undertaken, the commissioner shall issue a certificate to the association certifying that it is no longer authorized to exercise fiduciary powers.

(3) On issuance of a certificate by the commissioner, an association:

(a) Is no longer subject to this chapter;

(b) Is entitled to have returned to it the indemnity fund required by s. Bkg 15.04; and

(c) Shall not exercise any of the powers granted by this chapter without first applying for and obtaining new authorization to exercise trust powers.

NOTE: This section parallels 12 C.F.R. 550.14.

S-L 17.17 EFFECT OF TRUST ACCOUNTS OF APPOINTMENT OF CONSERVATOR OR RECEIVER OR VOLUNTARY DISSOLUTION OF ASSOCIATION.(1) APPOINTMENT OF LIQUIDATOR, CONSERVATOR OR RECEIVER. Whenever a liquidator, conservator or receiver is appointed for an association, the liquidator, receiver or conservator shall, pursuant to the instructions of the commissioner and the orders of the court having jurisdiction, close such of the association's trust accounts as can be closed promptly and transfer all other trust accounts to substitute fiduciaries.

(2) VOLUNTARY DISSOLUTION. Whenever an association exercising trust powers is placed in voluntary dissolution, the liquidating agent shall, in accordance with local law, proceed at once to liquidate the affairs of the trust department as follows:

(a) All trusts and estates over which a court is exercising jurisdiction shall be closed or disposed of as soon as practicable in accordance with the

order or instructions of the court; and

(b) All other accounts which can be closed promptly shall be closed as soon as practicable and final accounting made for the closed accounts and all remaining accounts shall be transferred by appropriate legal proceedings to substitute fiduciaries.

NOTE: This section parallels 12 C.F.R 550.15.

S-L 17.18 REVOCATION OF TRUST POWERS. (1) NOTICE OF INTENT. In addition to the other sanctions available, if, in the opinion of the commissioner, an association is unlawfully or unsoundly exercising, or has failed for a period of 5 consecutive years to exercise, the powers granted by this chapter or otherwise fails to comply with the requirements of this chapter, the commissioner may issue and serve upon the association a notice of intent to revoke the authority of the association to exercise the powers granted by this chapter. The notice shall contain a statement of the facts constituting the alleged unlawful or unsound exercise of powers, or failure to exercise powers, or failure to comply, and shall fix a time and place at which a hearing will be held to determine whether an order revoking authority to exercise trust powers should be issued against the association.

(2) HEARING. A hearing under sub. (1) shall be conducted as a contested class 2 hearing under ch. 227, Stats.

(3) REVOCATION ORDER. Unless the association served under sub. (1)

appears at the hearing by a duly authorized representative, it is deemed to have consented to the issuance of the revocation order. In the event of consent or if, upon the record made at the hearing, the commissioner finds that any allegation specified in the notice of charges has been established, the commissioner may issue and serve upon the association an order prohibiting it from accepting any new or additional trust accounts and revoking authority to exercise powers granted by this chapter except that the order shall permit the association to continue to service all previously accepted trust accounts pending their expeditious divestiture or termination.

(4) EFFECTIVE PERIOD. A revocation order is effective not earlier than the expiration of 30 days after service of the order upon the association, except a consent revocation order which is effective at the time specified in the order, and shall remain effective and enforceable, except to the extent it is stayed, modified, terminated, or set aside by action of the commissioner or a reviewing court.

NOTE: This section parallels 12 C.F.R. 550.16.

CHAPTER S-L 18

REQUIREMENTS TO ORGANIZE A NEW ASSOCIATION

S-L 18.01 Minimum requirement for new associations.

S-L 18.01 MINIMUM REQUIREMENT FOR NEW ASSOCIATIONS.

(ss.215.40 and 215.60, Stats.) (1) CAPITAL STOCK ASSOCIATIONS. Except as provided under sub. (2), the commissioner may approve the organization of a stock association and issue a certificate of incorporation only if:

(a) Stockholders pay to the association capital and additional paid-in capital of at least \$2,000,000 or a higher amount as the commissioner may determine; and

(b) At least one person subscribes for and is issued stock of the association.

(2) INTERIM STOCK ASSOCIATION. The commissioner may waive any portion of this chapter if the organization of a stock association is to facilitate the acquisition of 100% of the voting stock of an existing stock association by a newly formed or existing savings and loan holding company or to facilitate any other transaction which is approved by the commissioner and involves an existing stock association.

(3) MUTUAL ASSOCIATIONS. The commissioner may approve the organization of a mutual association and issue a certificate of incorporation only if:

(a) Savings account subscriptions are obtained from at least 500 persons; and

(b) At least \$2,000,000 in savings account subscriptions are obtained.

CHAPTER S-L 19

SAVINGS AND LOAN HOLDING COMPANIES

S-L 19.01 Principal place of business of a savings and loan holding company

S-L 19.01 PRINCIPAL PLACE OF BUSINESS OF A SAVINGS AND LOAN HOLDING COMPANY. (s. 215.36(1)(b) and (e), Stats.) (1) DEFINITION. In s. 215.36(1)(b) and (e), Stats., "principal place of business" of a savings and loan holding company means the state in which the total deposits held by the savings and loan holding company and by all savings and loan association subsidiaries of the holding company are the largest.

(2) DETERMINATION OF DEPOSITS. Determination of the amount and location of deposits held by a savings and loan holding company and by each of its savings and loan association subsidiaries shall be made by the commissioner from the most recent reports of condition and operations or similar reports filed by the savings and loan holding company and the holding company's savings and loan association subsidiaries with state or federal authorities.

CHAPTER S-L 20
PROCEDURES BEFORE THE SAVINGS AND LOAN
REVIEW BOARD

S-L 20.01 Appeals to the review board

S-L 20.01 APPEALS TO THE REVIEW BOARD. (s. 215.04(1) TO (4), Stats.)

(1) NOTICE OF HEARING. Upon receiving a properly executed notice of appeal stating grounds for review within the review board's jurisdiction, the review board shall request the commissioner to make available to it the full public record of the matter appealed and shall, within 30 days, serve a notice of hearing on appeal upon the appellant and each party to the matter appealed. The notice shall assign the time and place of the hearing, if any, and shall indicate whether briefs or oral arguments or both based upon the public record will be allowed and whether additional evidence will be received.

(2) BRIEFS. When briefs are allowed by the review board:

(a) The appellant shall, within 10 days after receiving notice of hearing on appeal, file with the review board 8 copies of its brief and shall serve at least one copy upon each respondent. The appellant's brief shall contain:

1. A concise statement of the questions presented by the appeal.
2. A clear and concise statement of the facts relied upon by the appellant, including appropriate references to pages of the record when cited.
3. Argument in support of the appeal.

(b) Within 15 days after receiving a copy of the appellant's brief, or as otherwise directed by the review board, the respondent shall file with the review board eight copies of its brief and shall serve at least one copy upon the appellant. The respondent's brief shall contain:

1. A concise statement of the questions presented by the appeal, if the respondent disagrees with the appellant's statement of such questions.

2. A concise statement of any facts the respondent deems necessary to correct or amplify the appellant's statement of facts.

3. Argument in support of the respondent.

(3) COMMISSIONER A PARTY TO CERTAIN APPEALS. (a) Except as provided in par. (b), the commissioner shall be deemed a party to each appeal to the review board.

(b) When an appeal is based upon a decision made by the commissioner to grant or deny a certificate of authority under s. 215.40, 215.60 or 215.03(8) Stats. or to approve or disapprove an application under s. 215.03(7)(b) Stats., the commissioner shall be a party only to the extent that the appeal is based upon a procedural rule or ruling made by the commissioner.

Tommy G. Thompson
Governor



Harold N. Lee, Jr.
Commissioner

State of Wisconsin
Office of Commissioner of Savings and Loan

131 West Wilson Street • Suite 502 • Madison, Wisconsin 53702 • (608) 266-1821

March 17, 1989

Douglas J. La Follette
Secretary of State
30 West Mifflin Street
Madison, Wisconsin 53702


Orlan L. Prestegard
Revisor of Statutes
30 W. Mifflin Street, # 904
Madison, Wisconsin 53702

Gentlemen:

Enclosed is a certified copy of Clearinghouse Rule 88-120, which has been adopted by this office and the Savings and Loan Review Board and a "Certificate" and "Order" relating to it.

These materials are filed with you both under s. 227.20(1), Stats.

Sincerely,


Harold N. Lee, Jr.
Commissioner

HNL/k

Enclosures

RECEIVED

MAR 20 1989

Revisor of Statutes
Bureau

