

## Chapter S-L 12

### LEGAL RESERVE

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**History:** Chapter S-L 12 as it existed on April 30, 1971 was repealed, and a new chapter S-L 12 was created, Register, April, 1971, No. 184, eff. 5-1-71.

**S-L 12.01 Definitions.** For the purpose of this section, the following definitions apply:

(1) "Specified assets" of an association shall consist of total assets, less 80% of the association's FHA and VA loans, and less cash, U. S. Government obligations, federal home loan bank stock, prepaid federal savings and loan insurance corporation premiums, and prepayments to the secondary reserve (if an insured association), loans secured by the association's savings accounts, investments insured by the federal savings and loan insurance corporation in savings accounts of other associations, loans in process, and less such other assets as may from time to time be designated by the commissioner.

(2) "Scheduled items" include:

- (a) Slow loans (other than FHA or VA loans);
- (b) Twenty percent of slow FHA or VA loans;
- (c) Real estate owned and in judgment, excluding real estate owned pending transfer to an insuring or guaranteeing federal agency and federally insured or guaranteed loans in judgment;
- (d) Real estate sold on contract, the principal unpaid balance of which exceeds applicable lending limitations;
- (e) Investment securities upon which one or more interest payments due has not been paid; and
- (f) Deposits in closed financial institutions or those in possession of supervisory authorities.

(3) "Net worth" is the sum of all general reserve accounts (except specific and valuation reserves) and undivided profits.

(4) "Adjusted net worth" is the net worth less 20% of the scheduled items.

(5) "Legal reserve" is the reserve defined by section 215.24, Wis. Stats. and may also include the federal insurance reserve of insured associations if so designated by the board of directors.

**History:** Cr. Register, April, 1971, No. 184, eff. 5-1-71.

**S-L 12.02 Insured associations.** (1) **MINIMUM PERIODIC TRANSFER REQUIRED.** Out of the net income of any period designated by the commissioner, and prior to the declaration of any earnings distribution rate, each insured association shall be required to transfer to its legal

reserve a minimum percentage of said net income, the minimum requirement to be determined by the commissioner. Transfers from net income to the legal reserve shall be made until the association's net worth at the close of the period is equivalent to 12% of total savings capital or 10% of its specified assets, whichever is greater.

(2) CREDITS FROM PRIOR PERIODS. If an association has made any credit to its legal reserve or federal insurance reserve subsequent to December 31, 1963, in excess of the applicable requirement, it may, with the approval of the commissioner, apply such excess credit toward the requirements of subsection (1).

**History:** Cr. Register, April, 1971, No. 184, eff. 5-1-71.

**S-L 12.03 Non-insured associations.** (1) **MINIMUM PERIODIC TRANSFER REQUIRED.** Out of the net income of each semiannual earnings distribution period (June 30 and December 31 of each year unless an other semiannual period is approved by the commissioner), and prior to the declaration of any earnings distribution rate, each non-insured association shall be required to transfer to its legal reserve an amount equal to the greater of (a) 5% of said net income or, (b) subsequent to June 30, 1971, an amount equal to the lesser of 10% of net income or an amount sufficient to increase its total net worth to total savings capital to a minimum level at least 0.125% higher at the close of the semiannual period than at the opening of that semiannual period. Transfers from net income to the legal reserve shall be made until the association's net worth at the close of the semiannual period is equivalent to 12% of total savings capital or 10% of its specified assets, whichever is greater.

(2) CREDITS FROM PRIOR PERIODS. If an association has made any credit to its legal reserve subsequent to December 31, 1970, in excess of the applicable requirement, it may, with the prior approval of the commissioner, apply such excess credit towards the requirements of subsection (1).

**History:** Cr. Register, April, 1971, No. 184, eff. 5-1-71.

**S-L 12.04 Discretionary authority of commissioner.** The commissioner may, for good and sufficient reasons, require a higher level of legal reserve for any association and may limit, restrict or prohibit an association's authority to declare a rate of earnings distribution applicable to any or all classes of savings accounts until the higher level of legal reserve has been attained.

**History:** Cr. Register, April, 1971, No. 184, eff. 5-1-71.