

**Chapter CU 54**

**REAL ESTATE MORTGAGES IN CREDIT UNIONS**

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Note: Chapter CU 54 as it existed on December 31, 1979, was repealed and a new chapter CU 54 was created effective January 1, 1980.

**CU 54.01 Limitation on real estate mortgages.** (s. 186.09 (10), Stats.) Any credit union whose assets are in excess of \$500,000 may invest in real estate mortgage loans to members out of surplus funds only, subject to the following restrictions:

(1) The maximum individual loan shall be in ratio to total assets:

(a) Total assets of \$500,000 to \$1,000,000 — Maximum Loan — \$25,000;

(b) Total assets of \$1,000,001 to \$3,000,000 — Maximum Loan — \$50,000;

(c) Total assets of \$3,000,001 to \$5,000,000 — Maximum Loan — \$60,000;

(d) Total assets of \$5,000,001 to \$10,000,000 — Maximum Loan — \$75,000;

(e) Total assets of \$10,000,001 and over — Maximum Loan — \$100,000

(2) The aggregate of real estate mortgage loans shall not exceed 50% of total assets.

(3) (a) All mortgage loans shall be limited in amount to a maximum of 80% of the appraised value, not including premium for life insurance secured for the amount loaned.

(b) Credit unions with assets of \$1,000,000 or more may grant real estate mortgage loans within the limits of subsections (1) and (2) and in excess of 80% of the appraised value of the mortgaged property, but not more than 90% of the appraised value of the mortgaged property, provided this excess is insured by mortgage guaranty insurance.

(4) Such loans shall be made on improved real estate which is situated within the boundaries of the state of Wisconsin. In border cities such loans may be made in contiguous states, within a radius of 50 miles from the credit union office.

(5) (a) No real estate mortgage shall be made for a period in excess of 30 years. At the discretion of the board of directors, the mortgage may be amortized monthly.

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(b) A credit union may use an interest rate escalator clause to permit the credit union to increase or decrease the mortgage loan note interest rate within the amortization period of the real estate mortgage loan.

(c) A credit union may charge a loan originating fee as established by the credit union board of directors. Such fees shall be credited to income in the period received.

(6) A credit union may grant 2 real estate mortgage loans to any one member. In the case of multiple unit properties, the requirements shall be the same as for single units.

(7) At the discretion of the board of directors, a credit union may grant real estate mortgage loans to its members for the purchase of a condominium. Such loans shall be considered the same as other real estate mortgage loans.

**History:** Cr. Register, December, 1979, No. 288, eff. 1-1-80; corrected, Register, February, 1980, No. 290.

**CU 54.02 Mortgage repayments may include deposits for the payment of real estate taxes and insurance.** (1) The written lending policies of the credit union, as approved by its board of directors, shall include the requirements, if any, for deposits with the credit union for the payment of real estate taxes and insurance. The manner in which such deposits are applied and any interest to be paid thereon shall also be included in these written lending policies.

**History:** Cr. Register, December, 1979, No. 288, eff. 1-1-80.

**CU 54.03 Appraisal of property.** (1) All property on which real estate mortgage loans are made must be appraised by a certified appraiser; a licensed real estate broker; or by a person whose experience would indicate competence to make appraisals for loan purposes. No appraiser shall be an officer, director or employe of the credit union for which the property is being appraised and no appraiser shall be directly or indirectly interested in any property appraised.

(2) Neutral appraisals shall not be required when the mortgage loan application is less than 50% of the current assessed tax value and is supported by an appraisal by person (s) representing the board of directors.

(3) All appraisals shall be indicate separate values for land and improvements.

**History:** Cr. Register, December, 1979, No. 288, eff. 1-1-80.

**CU 54.04 Required supporting data.** Each mortgage loan made by a credit union shall be supported by the following documents and information:

(1) The note properly executed and the mortgage instrument properly signed and recorded;

(2) Abstract of title or owner's title policy showing title in the borrower and the mortgage to the credit union or a mortgage policy in favor of the credit union. In the case of an abstract of title, an attorney's opinion indicating that the mortgage to the credit union is a first lien;

(3) As a minimum, fire and extended coverage insurance shall be carried in an amount equal to the amount of the loan or to the full, replacement value of the buildings;

(4) (a) Original or copies of insurance policies or a certificate of insurance required by subsection (3) must be on file and must contain a mortgage clause in favor of the credit union;



(b) At the discretion of the credit union board of directors and provided blanket permission to do so is included in the credit union minutes, "continuous" insurance or "insurance to be in effect until cancelled" policies are acceptable.

(c) If, at the inception of the real estate mortgage loan, the credit union has evidence of insurance required by paragraph (a), thereafter, in lieu of subsequent evidence of individual insurance coverage, the credit union board of directors may contract for single-interest fire insurance and extended coverage protection in favor of the credit union; however, the premium costs thereof must be assumed by the credit union as an operating expense.

(5) The original or photostatic copy of receipts covering all previous real estate taxes on the mortgaged property paid since the previous examination, or any other written evidence of the payment of said taxes acceptable to the board of directors as defined in the credit union corporate minutes.

(6) A signed appraisal containing the information required by section CU 54.03 (1) (2) and (3).

**History:** Cr. Register, December, 1979, No. 288, eff. 1-1-80.

**CU 54.05 Subordinate real estate mortgages.** (1) At the discretion of the board of directors and provided authority to do so is contained in the corporate minutes, a credit union may grant personal loans on the basis of primary or secondary collateral consisting of a subordinate real estate mortgage (s).

(2) Each personal loan made by the credit union when all or a portion of the collateral in support thereof consists of a subordinate real estate mortgage (s) shall be supported by the following documents and information:

(a) The note properly executed and the mortgage instrument properly signed and recorded;

(b) Reasonable yet authoritative written evidence establishing the credit union's priority of lien by one of the following:

1. An abstract of title or an owner's title policy showing title in the borrower and the mortgage to the credit union;

2. Or a mortgage policy in favor of the credit union;

3. Or a "short form title search";

4. Or a signed report by an attorney;

5. Or the signed report of an officer, director, committee member or employe of the credit union who has been so designated by the board of directors;

(c) Reasonable yet authoritative written evidence of the fair market value of the property mortgaged to the credit union;

(d) Reasonable yet authoritative written evidence of the member-borrower's equity in the property mortgaged to the credit union; that is, the fair market value of the property less the outstanding balances of all prior liens.

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(3) Such loans shall be made on improved real estate and must conform to the existing laws, rules and regulations governing subordinate mortgage loans in the state where the property is located.

**History:** Cr. Register, December, 1979, No. 288, eff. 1-1-80.

**CU 54.06 First mortgages.** (1) Subject to the requirements of subsections (2) and (3) and provided authority to do so is contained in the credit union corporate minutes, the commissioner hereby grants authority to credit unions with assets of \$500,000 or more to grant personal loans for any purpose, including the purchase of improved or unimproved real estate on the basis of primary collateral consisting of a first mortgage on real estate.

(2) Each personal loan secured by a first mortgage on real estate shall be supported by the documents and information required for personal loans secured by subordinate real estate mortgages detailed in CU 54.05 (2).

(3) Each personal loan secured by a first mortgage on real estate shall be for a term of not more than 10 years.

(4) The maximum individual personal loan secured by a first mortgage on real estate shall be in ratio to the credit union total assets:

(a) Total assets of \$500,000 to \$1,000,000 — Maximum Loan — \$7,000

(b) Total assets of \$1,000,001 to \$3,000,000 — Maximum Loan — \$10,000

(c) Total assets of \$3,000,001 to \$5,000,000 — Maximum Loan — \$13,000

(d) Total assets of \$5,000,001 or more — Maximum Loan — \$15,000

(5) (a) Credit unions with assets of \$5,000,000 or more may grant personal loans for agricultural purposes in excess of \$15,000 secured with a first mortgage on the applicant's farm (s) and such loans shall be subject only to the requirements of CU 54.01 (4), CU 54.03 and CU 54.04.

(b) With the prior written approval of the commissioner, credit unions with assets of less than \$5,000,000 may grant personal loans for agricultural purposes in excess of \$15,000 subject to the requirements contained in par. (a).

**History:** Cr. Register, December, 1979, No. 288, eff. 1-1-80.