

Chapter S-L 13

LOANS

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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 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.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89.

S-L 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.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89.

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;"

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;

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).

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89.

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.

(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.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89.

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.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89.

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.

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(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 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.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89.