

Chapter DFI-SL 16

AUTHORIZED ACTIVITIES OF ASSOCIATIONS

DFI-SL 16.01 Powers of an association.

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Note: Chapter S-L 16 was renumbered chapter DFI-SL 16 under s. 13.93 (2m) (b) 1., Stats., and corrections made under s. 13.93 (2m) (b) 6. and 7., Stats., Register, July, 1998, No. 511.

DFI-SL 16.01 Powers of an association. 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 division, 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 deposit insurance corporation ('FDIC') 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 FDIC, 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 1464 (b) and 12 CFR 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 division. The value of any real property accepted in trade must be supported by a current appraisal.

(13) SALE OF NONINSURED FINANCIAL PRODUCTS. (a) *Authority.* Both through a subsidiary under ch. DFI-SL 15 and directly by the association, sell insurance products (including annuities and life, credit-life, health, property and casualty, unemployment compensation and mortgage guaranty insurance), equity securities (including preferred and common stocks and interests in mutual funds) as agents for the accounts of customers, real estate investment trust interests, corporate and municipal bonds and shares in uninsured brokered deposits.

(b) *Prohibited activities.* 1. Sales by tellers at teller counters. Sales of noninsured financial products described in par. (a) made directly by association personnel may not be sold at a teller counter by a teller or comparable person.

2. Investments in association or subsidiary. To avoid any actual or apparent conflict of interest, no investment advice may be given regarding, nor may transactions be made in any equity security or debt instrument of the association or any of its subsidiaries.

(c) *Disclosure.* When a customer purchases an annuity, equity security, real estate investment trust interest, corporate or municipal bond or share in uninsured brokered deposits from an association or a subsidiary, the association or the subsidiary shall obtain from the customer a signed document in a form prescribed by the division, a copy of which the customer receives, disclosing that the product is not a deposit account and is not insured by a federal insuring agency.

Note: This section interprets or implements ss. 215.02 (18) and 215.135, Stats.

Note: Savings institutions operating under this rule must comply with other pertinent requirements, including those under securities and insurance laws and rules.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89; cr. (13), Register, March, 1992, No. 435, eff. 4-1-92.

DFI-SL 16.02 Election of loan or investment classification. 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.

Note: This section interprets or implements ss. 215.02 (18) and 215.135, Stats.

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

DFI-SL 16.03 Absorptions. A stock association may, subject to the approval of the division, 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.

Note: This section interprets or implements ss. 215.02 (18) and 215.135, Stats.

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

DFI-SL 16.04 Conversion to stock association.
(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.

(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.

Note: This section interprets or implements ss. 215.02 (18), 215.135 and 215.58 Stats.

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