

CW 51 to 58
Bkg 51 to 58

ORDER OF THE OFFICE OF THE COMMISSIONER OF CREDIT UNIONS
ADOPTING, AMENDING OR REPEALING RULES

Pursuant to authority vested in the Office of the Commissioner of Credit Unions by section 186.23, Wis. Stats., Chapter 193, Laws of 1971, the Commissioner of Credit Unions hereby renumbers, repeals, amends, and adopts rules as follows:

Chapters Bkg 51, 52, 53, 54, 55, 56, 57 and 58 are renumbered to be CU 51, 52, 53, 54, 55, 56, 57 and 58.

CU 54.01(5) is amended to read as follows:

- (5)(a) No real estate mortgage shall be made for a period in excess of twenty-five (25) years and it shall be amortized monthly by payments of principal and interest;
- (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.

CU 54.02(3) is created to read as follows:

- (3) At the discretion of the Board of Directors, a credit union may require either subsections (1) or (2) or a combination of both for the accumulation of moneys for the payment of insurance and taxes.

CU 54.04(3) is amended to read as follows:

- (3) However, in the case of an abstract of title, an attorney's opinion indicating that the mortgage to the credit union is a first lien;

CU 58.02 is renumbered to be CU 58.03.

CU 58.02 is created to read as follows:

Since these commissions represent another form of credit union gross income, the credit union may not share the income with officers, directors, committee members or employees on a percentage basis. These individuals may not directly benefit from the sale of credit life and accident and health insurance sold to members in connection with credit union loans.

Chapters CU 59, 60 and 61 are created to read as follows:

PROPOSED AMENDMENT TO THE
WISCONSIN ADMINISTRATIVE CODE
OFFICE OF THE COMMISSIONER OF CREDIT UNIONS
CHAPTER CU 59
MISCELLANEOUS INVESTMENTS BY CREDIT UNIONS

TO CREATE CHAPTER CU 59, "MISCELLANEOUS INVESTMENTS BY CREDIT UNIONS", to read as follows:

CU 59.01 Miscellaneous Investments. In addition to the specific investments identified in Section 186.11, Wis. Stats., credit unions, subject to the minimum requirements established below, may also invest in "Institutional Investments" without the prior approval of the Commissioner of Credit Unions.

CU 59.02 Definition. "Institutional Investments" represent securities issued by hospitals, churches, sanatoria, seminaries, dioceses, and similar type institutions.

CU 59.03 Minimum Requirements.

(1) The institutional security must have at least a "AA" rating by Fitch Investors Service of New York City, or a comparable rating service.

(2) Even though exempt with the Federal Securities and Exchange Commission, the institutional investment securities should be registered with the Office of the Commissioner of Securities, State of Wisconsin, and saleable in the State of Wisconsin.

(3) The institutional investments are to be limited to institutions located within the continental United States.

(4) The maturity of the securities purchased may be up to five (5) years from the date of purchase. The foregoing is not to be construed as permitting investments in excess of sixty (60) months.

(5) A credit union may not invest in institutional investments within the "balloon"; that is, where a substantial portion of the securities mature on the same date, usually, the last maturity year.

(6) An individual credit union may not invest more than \$50,000 in securities issued by any one individual institution without the prior approval of the Commissioner of Credit Unions.

(7) At the date of the investment, the credit union must have at least 70% of its liquidity in investments other than institutional investments.

(8) The individual investment must be approved by a majority of the investing credit union board of directors.

CU 59.04 Commissioner's Consent. Subject to the foregoing minimum requirements as outlined above in CU 59.03, the Commissioner of Credit Unions hereby grants his permission to eligible credit unions to make investments in

CHAPTER CU 59

MISCELLANEOUS INVESTMENTS BY CREDIT UNIONS (Continued)

institutional investments. However, it should be pointed out that the responsibility for the selection of this type of investment necessarily rests with the board of directors of the investing credit union. The Commissioner of Credit Unions in granting this permission, merely indicates that he does not object to the credit union investing therein, but does not indicate that this type of investment necessarily is in the best interests of the credit union.

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PROPOSED AMENDMENT TO THE

WISCONSIN ADMINISTRATIVE CODE

OFFICE OF THE COMMISSIONER OF CREDIT UNIONS

CHAPTER CU 60

DIVIDENDS PAYABLE ON MEMBER SHARE ACCOUNTS AND MEMBER DEPOSIT ACCOUNTS

TO CREATE CHAPTER CU 60, "DIVIDENDS PAYABLE ON MEMBER SHARE ACCOUNTS AND MEMBER DEPOSIT ACCOUNTS", to read as follows:

CU 60.01 Maximum Dividend. (1) The maximum rate of dividends payable by a credit union or a central credit union on all member share accounts and all member deposit accounts shall not exceed 6% per annum without the prior approval of the Commissioner of Credit Unions.

(2) The maximum rate of dividends payable by a credit union or a central credit union on each classification of member shares or member deposit accounts shall not exceed 6% per annum without the prior approval of the Commissioner of Credit Unions.

(3) The rate of dividends declared by a credit union on each classification of member shares and member deposit accounts shall be paid to all members complying with the minimum requirements determined by the Board of Directors for establishment of that savings account classification.

CU 60.02 Dividend Periods. In order for dividends to be paid more frequently than quarterly, the credit union Board of Directors must secure the prior written approval of the Commissioner of Credit Unions.

CU 60.03 Grace Period in Computing Dividends. A credit union may pay dividends on member share accounts and member deposit accounts accepted during the first ten (10) calendar days of any month at the applicable rate established, or rate to be declared, for such classification of member savings. The application of this authority must apply to all like classification of member savings.

CU 60.04 Deposit Accounts. (1) The Board of Directors may establish and guarantee in advance the rate of dividend on time deposits subject to the limitations of CU 60.01 (2). The maturity date of time deposits shall not be less than thirty (30) days nor more than two (2) years and may be issued with automatic renewable privileges up to two years. However, the interest rate of the extended time deposit must remain the same and the extended maturity date must be for the same period of time as originally issued.

(2) Member deposits of a credit union shall be assignable only by the Board of Directors with the approval of the Commissioner of Credit Unions.

(3) Unless issued as automatically renewable by the credit union, no dividend need be paid on a time deposit subsequent to the date of maturity of that deposit.

CHAPTER CU 60

DIVIDENDS PAYABLE ON MEMBER SHARE ACCOUNTS AND MEMBER DEPOSIT ACCOUNTS (Continued)

(4) The rate of dividend guaranteed by the Board of Directors on time deposit certificates shall terminate without penalty to the credit union upon dissolution of the credit union (Section 186.18, Stats.) or if the Commissioner of Credit Unions should take possession of the credit union in accordance with Section 186.29, Stats.

(5) The payment of member time deposits before maturity shall require the forfeiture of accrued and unpaid dividends of not less than thirty (30) days or more than three (3) months.

CU 60.05 Prior Claim of Deposit Accounts. All member deposit accounts, including time deposits, shall have a prior claim over member share accounts of the available cash and subsequent cash receipts of the credit union. This priority to available cash would also exist during the imposition by the Board of Directors of the requirement that the member give to the credit union thirty (30) days written notice of his intention to withdraw the whole or any part of the amount paid in by him on the account of shares.

CU 60.06 Individual Member Savings Insurance Coverage. At any one credit union, the insurance coverage provided by the Wisconsin Credit Union Share Insurance Corporation and the amount permitted by Section 186.35 (2) (a), Stats., in the aggregate not to exceed \$20,000, shall be applied to the total of the individual member's savings in his share account(s) plus his deposit account(s) at that credit union.

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PROPOSED AMENDMENT TO THE

WISCONSIN ADMINISTRATIVE CODE

OFFICE OF THE COMMISSIONER OF CREDIT UNIONS

CHAPTER CU 61

CREDIT UNION PURCHASE OR ACQUISITION OF CONDITIONAL SALES CONTRACTS
OR SIMILAR INSTRUMENTS EXECUTED BY CREDIT UNION MEMBERS

TO CREATE CU 61, "CREDIT UNION PURCHASE OR ACQUISITION OF CONDITIONAL SALES CONTRACTS OR SIMILAR INSTRUMENTS EXECUTED BY CREDIT UNION MEMBERS", to read as follows:

CU 61.01 Limitations. (1) Subject to the following minimum requirements, credit unions with assets of \$1,000,000 or more may purchase or acquire conditional sales contracts or similar instruments executed by their members. Credit unions with assets of less than \$1,000,000 may do so subject to the following minimum requirements, only with the prior, written approval of the Commissioner.

(2) Effective March 1, 1973, all Wisconsin Chartered Credit Unions will not be permitted to purchase or acquire conditional sales contracts or similar instruments executed by credit union members due to the implications of the Wisconsin Consumer Act and until its implications have been clarified.

CU 61.02 Interest Rates. (1) The maximum interest rate (finance charge) chargeable to the member-borrower by a seller on a conditional sales contract or similar instrument sold to a credit union shall not exceed that permitted by Section 138.05, (Section 422.201 after March 1, 1973). On such contracts neither the seller nor the credit union, in the aggregate, may directly benefit by interest charges, including "Time Price Differential", processing or service fees by an amount in excess of that permitted by Section 138.05, Stats. (Section 422.201 after March 1, 1973)

(2) The interest rate or finance charges on conditional sales contracts and similar instruments and all loans shall be calculated and applied on a simple interest basis on the unpaid balance. "Add-on" or "Discount" interest rates on purchased contracts and other credit union loans are not permitted.

CU 61.03 Sharing of Interest. (1) Subject to the discretion of the Board of Directors a portion of interest charges (finance charges) on purchased contracts may be shared by the credit union with the seller subject, however, to CU 61.02 (1) (2).

(2) When interest income (finance charges) is shared with the seller, on contracts purchased with recourse, the credit union shall establish as a liability on its records, a Dealer Reserve. This reserve shall be adjusted and negotiated with the seller at least annually on the basis of the interest which has been accrued or earned.

(3) On contracts purchased without recourse, the shared interest (finance charges) paid to the seller must be set up as a deferred charge and applied at least semi-annually to the income received on those contracts.

CREDIT UNION PURCHASE OR ACQUISITION OF CONDITIONAL SALES CONTRACTS
OR SIMILAR INSTRUMENTS EXECUTED BY CREDIT UNION MEMBERS (Continued)

CU 61.04 Dealer Financial Statements. Credit unions purchasing member contracts with recourse must secure annual sworn financial statements from each participating seller until the purchased contracts have been paid. These sworn financial statements are to be retained by the credit union for review by Departmental Examiners.

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ORDER OF THE OFFICE OF THE COMMISSIONER OF CREDIT UNIONS

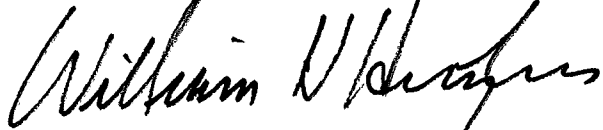
ADOPTING, AMENDING OR REPEALING RULES (CONTINUED)

The rules, amendments, and repeals contained herein shall take effect as provided in section 227.026(1), Wis. Stats.

Dated: July 20, 1972

OFFICE OF THE COMMISSIONER OF CREDIT UNIONS

By



William H. Hughes, Commissioner

CERTIFICATE

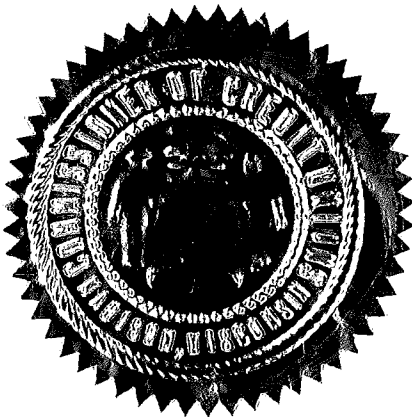
STATE OF WISCONSIN)
) SS:
OFFICE OF THE COMMISSIONER OF CREDIT UNIONS)

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, WILLIAM H. HUGHES, Commissioner of the Office of the Commissioner of Credit Unions, and custodian of the official records of said department, do hereby certify that the annexed rules and regulations and amendments to rules and regulations, comprising CU 51 through CU 61, were duly approved and adopted by this department on July 20, 1972.

I further certify that said copy has been compared by me with the original on file in this department and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the department at the Office of the Commissioner of Credit Unions in the City of Madison, this 20th day of July A.D. 1972.



OFFICE OF THE COMMISSIONER OF CREDIT UNIONS

By

William H. Hughes, Commissioner