

Chapter S-L 20

REAL ESTATE OWNED

S-L 20.01 Real estate owned

S-L 20.01 Real estate owned. (1) OPINIONS OF TITLE. On all real estate acquired by the association, the association's attorney shall examine such abstracts of title and in writing advise the association that it has good and merchantable title. In lieu of opinions of title secured from abstracts, title policies guaranteeing good and merchantable title in the name of the association shall be obtained. A binder or commitment to insure from the title company to guarantee title to a future owner will also be acceptable.

(2) **APPRAISAL.** After a parcel of real estate is acquired, the association shall have the property appraised by an approved appraiser, as defined in s. S-L 18.05 (1) (a). The appraiser making this appraisal shall not be the same appraiser who appraised the real estate security when the original mortgage loan was granted. In addition to determining the then value of the property, the appraisal report shall also contain:

(a) Present condition of the property and repairs necessary to put the property into a salable condition, and the appraised value of the property after such repairs were made.

(b) Number of rental units and monthly rents.

(c) Condition of the neighborhood.

(3) **BOARD ACTION UPON RECEIPT OF APPRAISAL.** Upon receipt of the appraisal report of the property acquired, the association's board of directors may, or upon order of the commissioner shall, write down the parcel of real estate to the appraised value if the book value of the property exceeds the appraised value, and charge such loss to either the legal reserve, federal insurance reserve, bad debt reserve, special bad debt reserve or any other association reserve.

(4) **SALES PRICE.** Upon receipt of the appraisal report of the property acquired, the association's board of directors shall:

(a) Establish a sale price on the property in order to enable disposition thereof by such means as the board of directors determines.

(b) In the event the property is not sold within one year, the board of directors shall have the property appraised each year. If subsequent appraisals show the appraised value to be less than the book value of the property, such parcel may be written down in the manner prescribed in sub. (3) above. The board shall reconsider the sales price after each such appraisal to effect the disposition of such property.

(c) The action taken by the board of directors, as required in sub. (3) (a) and (b) above, shall be recorded in the corporate minutes.

(5) **RECORDS OF INCOME AND EXPENSES.** A separate income account and a separate expense account shall be maintained on each parcel of real

estate acquired in order to enable management to ascertain the operational results from each parcel of real estate.

(6) **EMPLOYMENT OF REAL ESTATE MANAGEMENT COMPANIES.** The employment of a real estate property management firm for a fee is authorized on properties that have unique operational and personnel problems, when so determined by the association's board of directors. In the event that the board of directors determines to use the services of a property management firm, then the contract for such services between the property management firm and the association shall provide that at the end of each month, the property management firm will submit to the association a statement of gross rents, disbursements and net unremitted collections; and that a complete remittance of net operating proceeds by the property management firm to the association shall be made at least semi-annually at such dates as may be designated. From the monthly statement of gross rents, disbursements and unremitted receipts, the association shall make appropriate recordings of such data to the real estate income, real estate expense records and to such other suspense accounts, described in sub. (4) above.

(7) **AFFILIATED REAL ESTATE MANAGEMENT COMPANIES.** With prior approval of the commissioner, the creation of an affiliated, nonstock, real estate management company, under the provisions of ch. 181, Stats., is authorized. Such affiliated, nonstock, real estate management company shall be organized for the sole purpose of managing part or all of the real estate acquired by the association, and its officers and directors shall be officers and directors of the association. Any affiliated real estate management company shall be subject to a regular supervisory examination at the time the savings and loan association is being examined by the savings and loan commissioner. An affiliated management company will render its management services only on such properties that the board of directors have determined to have unusual operational or personnel problems. The affiliated management company shall enter into an agreement with the association stating that, at the end of each month, it will submit to the association a statement of gross rents, disbursements, and net unremitted collections; and that it will make a complete remittance of net operating proceeds to the association at least semi-annually at such dates as may be designated. From the monthly statement of gross rents, disbursements and unremitted receipts, the association shall make appropriate recordings of such data to the real estate income, real estate expense records and such other suspense accounts as described in sub. (4) above.

(8) **SALES OF REAL ESTATE.** (a) All real estate sales shall be made at such prices as determined by the board of directors.

(b) Each real estate sale and the terms thereof shall be recorded in the corporate minutes.

(c) Real estate sold under land contract must be sold on terms that provide for full amortization of the balance in not more than 30 years.

(d) Real estate sold under a purchase money mortgage shall be subject to the maximum loan ratios set forth in s. S-L 18.02, Wis. Adm. Code, and the 30 year amortization restriction prescribed in s. 215.21 (5), Stats.

(e) The interest rate on real estate contracts and purchase money mortgage loans, resulting from sales of real estate, shall be not less than the current earnings distribution rate.

(f) Sale of real estate to officers, directors and employes of an association or to the members of their immediate families must have prior approval of the savings and loan commissioner.

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