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## Chapter Bkg 7

## REAL ESTATE MORTGAGE LOANS

## Bkg 7.01 Real estate mortgage loans

**Bkg 7.01 Real estate mortgage loan.** (1) A real estate mortgage loan includes any loan secured by an interest in real estate except:

- (a) A loan of \$5,000 or less;
  - (b) A loan in which the value of collateral securing the loan, other than real estate, equals or exceeds the outstanding balance of the loan;
  - (c) A loan for which no collateral is required by a resolution of the board of directors pursuant to s. 221.29 (5), Stats.; or
  - (d) A loan supported by a current financial statement, the accuracy of which is certified to by the borrower.
- (2) Each real estate mortgage loan shall be supported by the following documents and information:

(a) The note or other evidence of indebtedness together with the related real estate mortgage or security agreement properly executed and recorded.

(b) An attorney's opinion based upon a certified abstract indicating the relative position of the bank's interest or a title policy in favor of the bank covering its interest in the property. If the bank has obtained the supporting documentation in accordance with this paragraph, a subsequent extension of credit secured by the same real estate may be supported by a letter opinion from an abstract company or a current certified abstract showing the bank's interest in the property as of the most recent extension of credit. However, no additional title documentation is required in connection with a refinancing in which no additional funds are advanced.

(c) An appraisal indicating separately the market value of the land and any improvements. No person who has a monetary or ownership interest in the property appraised or who has an interest in the loan secured by the appraised property may sign the appraisal. No director or employe of the bank whose approval is necessary to close the loan may sign the appraisal. The appraisal shall be signed by either:

1. Two disinterested persons certified by the board of directors as qualified to make appraisals, based on prior work, training or experience;

2. A person who is a member in a recognized professional appraisal organization or society;

3. A licensed real estate broker;

4. A person with at least 10 years of experience as a real estate appraiser or;

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5. Any employe of the bank or holding company qualified under subs. (2) through (4) and certified by the bank's board of directors as qualified to make appraisals for the bank.

(d) Either a policy purchased by the borrower or a mortgagee's policy purchased at no cost to the borrower including certificates of insurance or other evidence that all improvements on the real estate are insured for the term of the loan against casualty loss with benefits payable to the bank up to the lesser of:

1. Their full replacement value or
2. The outstanding loan balance or any portion thereof which exceeds the current value of the real estate securing the loan.

(e) Evidence of the status of the real estate taxes on the mortgaged property.

(f) The commissioner may require a bank to obtain any documentation deemed necessary to support any loan secured by an interest in real estate notwithstanding any exemption in this rule.

**History:** 1-2-56; am. (4), Register, April, 1970, No. 172, eff. 5-1-70; am. (4) (b), Register, September, 1970, No. 177, eff. 10-1-70; r. and recr. Register, October, 1981, No. 310, eff. 11-1-81; am. (2) (d), Register, September, 1982, No. 321, eff. 10-1-82.