

Chapter CU 61

**CREDIT UNION PURCHASE OR ACQUISITION OF
CONDITIONAL SALES CONTRACTS
OR SIMILAR INSTRUMENTS**

CU 61.01 Limitations
CU 61.02 Interest rates

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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.

History: Cr. Register, August, 1972, No. 200, eff. 9-1-72; r. (2), Register, July, 1973, No. 211, eff. 8-1-73.

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 s. 422.201, Stats. 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 s. 422.201, Stats.

(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.

History: Cr. Register, August, 1972, No. 200, eff. 9-1-72; corrections in (1) made under s. 13.93 (2m) (b) 7, Stats., Register, September, 1993, No. 453.

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 s. CU 61.02.

(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.

History: Cr. Register, August, 1972, No. 200, eff. 9-1-72.

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.

History: Cr. Register, August, 1972, No. 200, eff. 9-1-72.