

Chapter SB 13

LOANS

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SB 13.01 Loan policies. (s. 214.715 (1) (a), Stats.) Each savings bank's board of directors shall adopt written policies to direct the savings bank's mortgage, consumer and commercial loan activities.

History: Cr. Register, February, 1994, No. 458, eff. 3-1-94.

SB 13.02 Mortgage loans. (ss. 138.056 (2), 214.03, 214.48 and 214.485 (2) to (7), Stats.) (1) **AUTHORITY.** A savings bank may make, invest in, sell, purchase, participate or otherwise deal in mortgage loans or interests in mortgage loans without geographic restriction, including loans made on the security of residential, commercial or cooperative units.

(2) **APPRAISAL.** New mortgage loans originated shall be supported by a reasonably current appraisal or other documentation approved by the commissioner containing a level of information commensurate to the size and nature of the real estate appraised.

(3) **MAXIMUM LOAN TO VALUE RATIOS.** (a) *Definition.* In this subsection, "first lien" includes any mortgage which has priority over all other liens or encumbrances.

(b) *Limitations.* 1. 'First lien mortgages.' Except as provided in par. (d), a savings bank may not make a loan secured by a first lien mortgage in an amount in excess of 90% of the value of the real estate security.

2. 'Junior liens.' A savings bank may not make a loan secured by a mortgage other than a first lien mortgage in an amount in excess of:

a. The maximum amount the savings bank is authorized to lend on the security of a first lien on the mortgaged property; minus

b. The face amount of all other outstanding loans secured by the mortgaged property and any other unsatisfied liens against that property.

(c) *Calculation.* In calculating the loan to value ratio under this subsection, the value of the real estate security is limited to that attributable to the real estate if used in a manner consistent with its current or intended use.

(d) *Exceptions: Loans to 100% of value.* A savings bank may make a loan in an amount up to 100% of the value of the real estate security if:

1. The part of the loan that exceeds 90% of the value of the property is insured or guaranteed by a mortgage insurance company that the federal home loan mortgage corporation has determined to be a "qualified private insurer";

2. The loan or the part of the loan that exceeds 90% of the value of the property is insured or guaranteed by an agency or instrumentality of a state or the federal government whose full faith and credit is pledged to support the insurance or guarantee;

3. Made in conjunction with a governmental subsidy, insurance or guarantee program approved by the commissioner;

4. The loan is fully secured by the cash surrender value of an insurance policy on the life of any person responsible for the loans payment; negotiable securities, the principal and interest of which is guaranteed by the U.S. government; bonds, notes or other evidences of indebtedness, constituting the general obligation of a municipality; or deposit accounts in an insured institution;

5. The loan is to facilitate the sale of a savings bank's real estate owned or real estate in judgment; or

6. The loan is to meet the objectives of the federal community reinvestment act of 1977 (12 USC 2901 ff.) with the prior written approval of the commissioner.

(4) **TERM.** (a) *Length.* The term of a mortgage loan may not exceed 30 years or such other term, not to exceed 40 years, which is permitted for any other lender authorized to make first lien real estate loans in this state, commencing with the latest of:

1. The date of closing;

2. The date of the first contractual monthly principal and interest payment;

3. The date of any additional advance;

4. The date of any properly executed loan modification agreement; or

5. The date of any interest rate increase under the terms of a note permitting or requiring changes in the interest rate.

(b) *Amortization.* The rate of amortization on a mortgage loan may vary during the term of the loan, may not be negative, and may result in a lump sum payable at maturity.

(5) **DEVELOPMENT LOANS.** (a) *Maximum term.* The term of a development loan may not exceed 5 years, but may be extended for periods of one year or less if:

1. The borrower makes a request to the savings bank for an extension;

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2. All taxes on the property and contractual loan payments are current; and

3. The borrower and the savings bank execute a written extension agreement.

(b) *Appraisals and other documentation.* Before making a development loan a savings bank shall obtain:

1. A feasibility study which contains a current appraisal.

2. A statement from the borrower indicating the borrower's intended use of the property. If further improvements must be made to the land to make it suitable for the construction of a dwelling unit and loan proceeds are expected to be used in that development, the statement shall include a development schedule and the estimated cost of those improvements.

(c) *Release schedule.* When a development loan is secured by more than one lot:

1. The savings bank and the borrower shall enter into a written agreement governing the release of individual lots from the savings bank's security interest.

2. No portion of the qualifying real estate security may be released unless:

a. The savings bank has obtained an appraisal that individually sets forth the value of each developed lot and of any qualifying security remaining to be developed; and

b. The ratio of the unpaid balance of the savings bank's loan to the value 56 of the remaining real estate security will not exceed the applicable maximum loan to value ratio under sub. (3).

History: Cr. Register, February, 1994, No. 458, eff. 3-1-94.

SB 13.03 Approval of indexes used for variable rate loans under s. 138.056, Stats. (s. 138.056 (1) (a) 4a, Stats.) (1) Except as provided in sub. (2), each index used by a savings bank for a variable rate loan which requires the approval of the commissioner under s. 138.056 (1) (a) 4a, Stats., must be approved in writing.

(2) Under s. 138.056 (1) (a) 4a, Stats., the following indexes are determined to be readily verifiable by borrowers and beyond the control of an individual lender and are hereby approved for use in variable rate loans under s. 138.056, Stats.:

(a) The "prime rate" of interest which is published in the "money rates" column of the Wall Street Journal, midwestern edition.

(b) The following indexes as reported periodically by a district federal home loan bank:

1. The monthly average cost of funds for the federal home loan bank district.

2. The "national monthly median cost of funds for SAIF-insured institutions".

3. The "national average mortgage contract interest rate" on conventional mortgage loans closed for purchasing previously occupied single-family homes by all major lenders.

(c) The weekly average yield on U.S. treasury securities adjusted to a constant maturity of 1,2,3, or 5 years reported in the "Federal Reserve Statistical Release", a weekly publication of the federal reserve board.

History: Cr. Register, February, 1994, No. 458, eff. 3-1-94.

SB 13.04 Consumer loans. (ss. 214.03, 214.04 (14), and 214.485 (9) to (17), Stats.) (1) **ACTIVITIES AUTHORIZED.** A savings bank may do all of the following:

(a) *Consumer loans.* Invest in, sell, purchase, participate in, make or otherwise deal in consumer loans.

(b) *Consumer leases.* Lease tangible personal property acquired under s. SB 16.01 (2) to a natural person for a personal, family or household purpose.

(2) **SAVINGS BANK POLICY REQUIRED.** The board of directors of each savings bank making consumer loans shall establish a maximum dollar limit for such loans over which any unsecured portion must be supported by a borrower's current, sworn financial statement obtained prior to the extension of credit and updated at least annually. This limit may be incorporated into the savings bank's consumer loan policy.

History: Cr. Register, February, 1994, No. 458, eff. 3-1-94.

SB 13.05 Commercial loans. (ss. 214.03 and 214.485 (8), Stats.) (1) **ACTIVITIES AUTHORIZED.** A savings bank may do all of the following:

(a) *Commercial loans.* Make, invest in, sell, purchase, participate in, or otherwise deal in commercial loans.

(b) *Consumer-related loans.* Make loans to dealers in consumer goods to finance inventory, including floor planning loans.

(c) *Commercial leases.* Lease tangible personal property or real property acquired under s. SB 16.01 (2) for business, commercial, corporate, or agricultural purposes.

(d) *"Indirect" commercial loans.* Make an indirect commercial loan by purchasing commercial debt securities of a corporation which securities do not qualify as authorized investments.

(2) **SAVINGS BANK POLICY REQUIRED.** The board of directors of each savings bank making commercial loans shall establish a maximum dollar limit for such loans over which any unsecured portion of a commercial loan must be supported by a borrower's balance sheet and statement of operations attested to by an officer prior to the extension of credit and updated at least annually. This limit may be incorporated into the savings bank's commercial loan policy.

History: Cr. Register, February, 1994, No. 458, eff. 3-1-94.