

Chapter S-L 8

FAIRNESS IN LENDING

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S-L 8.01 Purpose. The purpose of this chapter is to require associations to give every applicant an equal opportunity to obtain a loan by evaluating the applicant's credit-worthiness on an individual basis without referring to presumed characteristics of a group or neighborhood.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89.

S-L 8.02 Certain underwriting practices prohibited. Unless required by state (including ch. 766, Stats) or federal law or by the rules or regulations of a state or federal agency, no association may utilize an underwriting practice that:

- (1) Fails to consider all of the regular and dependable income of each person who will become obligated for payment of the debt.
- (2) Varies the terms or criteria of the extension of credit on the basis of the child-bearing capacity of an applicant or an applicant's spouse.

(3) Utilizes lending standards that have no economic basis and are discriminatory in effect.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89.

S-L 8.03 Discrimination prohibited. (s. 138.20, Stats.) (1) PROHIBITED BASES OF DISCRIMINATION. No association may, on the grounds of an applicant's physical condition, developmental disability as defined in s. 51.01 (5), Stats., sex, marital status, race, color, creed, national origin or ancestry:

- (a) Deny a person any form of loan or credit service.
- (b) Provide a person with any loan or credit service which is different from, or is provided in a different manner than, that provided other persons similarly situated.

(2) DISCRIMINATION BY LOCATION OF SECURITY. No association may deny or vary the terms of a written loan application on the grounds that a specific parcel of real estate proposed as security for a mortgage loan is located within a given geographic area.

(3) ENFORCEMENT. In the enforcement of this section, the commissioner shall consider business judgments made to achieve genuine business needs, including:

- (a) Diversification of an association's investment portfolio.
- (b) Operation within the scope of an association's lending experience.

(c) Requiring that the terms of a mortgage loan be such that the amortization of the debt is not less than any reasonably anticipated decline in the value of real property securing the loan.

(d) Compliance with state or federal law or the rules or regulations of a state or federal agency.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89.

S-L 8.04 Right to submit loan applications. No association may deny an individual an opportunity to submit a written loan application except:

- (1) An association may require the application to be accompanied by a loan application fee, when such a fee is charged by the association in the regular course of its business.
- (2) An association may require the application to be on a form prepared by the association or accepted by the association for its use.
- (3) An association may require an application for a purchase money mortgage to be accompanied by the applicant's accepted offer to purchase the subject property.
- (4) An association is not required to accept a loan application for a loan of a type which the association does not extend.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89.

S-L 8.05 Written notice to borrower required for denial of loan applications. There shall be a presumption of discrimination, in violation of s. S-L 8.04, if a written loan application is rejected or the loan commitment contains terms other than those originally applied for and the reason for the rejection or modification is not indicated to the applicant in writing. This section does not apply if notice of adverse action is given under federal law.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89.

S-L 8.06 Fairness in lending notice. Each association shall maintain in a conspicuous place in each of its offices, for free distribution to the public, a sufficient quantity of a notice adequately describing the association's obligations under this chapter to those who apply or wish to apply for loans. The form and content of the notice shall be approved by the commissioner.

History: Cr. Register, June, 1989, No. 402, eff. 7-1-89.