

Chapter DFI-SL 2

GENERAL PROVISIONS; PROCEDURES; DIVISION'S AUTHORITY

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Note: Chapter S-L 2 was renumbered chapter DFI-SL 2 under s. 13.93 (2m) (b) 1., Stats., and corrections made under s. 13.93 (2m) (b) 6. and 7., Stats., *Register, July, 1998, No. 511.*

DFI-SL 2.01 Purpose. The purpose of chs. DFI-SL 1 to 20 is to provide rules and procedures for the organization, incorporation, examination, operation, regulation and supervision of associations, giving primary consideration to the best practices of financial institutions operating in this state. Lending and investment authorities provided under statutes and rules are intended to provide associations the necessary flexibility to maintain their primary role of providing credit for housing related purposes.

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

DFI-SL 2.02 Safety and soundness. Subject to supervision by the division, the board of directors of each association shall assure that the association operates in a safe and sound manner, adhering to sound business practices and applicable statutes, rules and federal regulations.

Note: This section interprets or implements ss. 215.03, 215.50 and 215.70, Stats.
History: Cr. *Register, June, 1989, No. 402, eff. 7-1-89.*

DFI-SL 2.03 Conflicts of interest. When a person in a decision making position with an association must decide between his or her personal financial interests and those of the association, the association is exposed to unnecessary risk. Each officer, director and employe shall avoid such conflict of interest situations. The board of directors of each association shall establish and implement written policies and procedures reasonably calculated to identify potential conflicts of interest and, when reasonably possible, to avoid placing an association's officer, director or employe in such a position. Establishing and implementing policies and procedures that assure compliance with its federal insuring agency's regulations governing transactions between the insured association and affiliated persons shall constitute compliance with this section.

Note: This section interprets or implements ss. 215.21 (17), 215.50 and 215.70, Stats.

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

DFI-SL 2.04 Supervisory orders. (1) **PURPOSE.** To carry out the division's responsibilities, the division may issue a supervisory order when it determines that an association is:

(a) Violating the provisions of its articles, bylaws, the laws of this state, or the laws of the United States, or any order or rule issued by the division or by the division and the review board: or

(b) Engaging in any unsafe or unsound practice.

(2) **FORMAT.** A supervisory order issued under s. 215.02 (7) (c), Stats. shall be captioned "SUPERVISORY ORDER UNDER SECTION 215.02 (7) (c), STATUTES". If it is not so captioned, it does not constitute a supervisory order under that section.

Note: This section interprets or implements ss. 215.02 (7) (c), Stats.

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

DFI-SL 2.05 Division's authority. The division may:

(1) **LIMIT INVESTMENT OR ACTIVITY.** Restrict or prohibit any investment or activity of an association upon determining that an investment or activity violates or may violate s. DFI-SL 2.02.

(2) **REQUIRE CORRECTIVE ACTION.** Require an association to correct any violation by it or a subsidiary if the association or subsidiary is found to violate any statute, rule or directive of the division. The division may require corrective action when it determines an association's lending practices or procedures are imprudent, even though individual loans may comply with applicable statutes and rules.

(3) **REQUIRE HIGHER LIQUIDITY.** Require an association to maintain a higher level of liquidity than the requirement of an applicable federal insuring agency for any association.

(4) **REQUIRE REAPPRAISALS.** Require reappraisals of property securing an association's loan. Such appraisals shall be conducted at the association's expense.

(5) **REQUIRE ACTION WITH REGARD TO UNDERSECURED REAL ESTATE LOANS.** (a) If the division determines that the current market value of the real estate collateral and any other collateral that is acceptable security for a mortgage loan is less than the outstanding balance of the loan, require the association to:

1. Obtain additional collateral acceptable to the division;

2. Reduce the book value of the loan to the current market value of the acceptable collateral; or

3. Establish a valuation reserve reflecting the difference between the outstanding balance of the mortgage loan and the current market value of the acceptable collateral.

(b) For purposes of this section the division shall accept collateral of the kind specified in s. DFI-SL 13.03 (3) (d) 4. and may accept such other collateral as it deems appropriate.

(6) **SUBSIDIARY EXAMINATIONS AND REPORTS.** Examine subsidiaries and require them to file reports of their financial condition when requested.

(7) **OTHER ACTION.** Take or direct such other action with regard to the affairs of an association as is consistent with the authority of the division under ch. 215, Stats.

Note: This section interprets or implements ss. 215.03 (1), 215.13 (42), Stats.

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

DFI-SL 2.06 Complaints against associations.

(1) **WHERE TO COMPLAIN.** Any person with a complaint against an association who has been unable to satisfactorily resolve it after discussing it with the management of the association involved may complain to the division in writing.

(2) **CONTENTS OF WRITTEN COMPLAINTS.** Written complaints to the division shall contain:

(a) The name and address of the complainant.

(b) The name of the association and the person complained of or involved or both.

(c) A concise statement of the facts underlying the complaint.

(d) A statement of the specific action requested of the association.

(e) If the complainant has discussed the matter with a representative of the association, the dates of any discussions and name of the representatives.

(3) **PROCEDURE UPON RECEIPT OF A WRITTEN COMPLAINT.** (a) If the respondent is an association which has formed a board with

other financial institutions to hear complaints, the division may refer the complaint to that board, if no officer, director or employee of the association being complained about participates as a member of the board in processing the complaint. If there is no such board, or if after using it the complainant or the respondent seeks further aid from the division, the division shall investigate the complaint.

(b) Upon receiving a written complaint, the division shall determine whether additional information is needed and if so, request it. The division may send a copy of the complaint to the chief executive officer of the association complained about and request additional facts and the association's reply.

(c) If after the investigation under pars. (a) and (b), the division finds probable cause to believe that there has been a violation of an administrative rule or of any provision of ch. 215, Stats., the division shall immediately endeavor to correct the probable violation by conference, conciliation, persuasion or order. If the division determines that the association has corrected the alleged violation, it shall dismiss the complaint and so notify the parties. However, if the division determines that efforts at resolution have been unsuccessful, it may hold a hearing on the complaint. After the hearing, the division shall issue written findings of fact and conclusions of law, and may make such orders as it deems just, reasonable and appropriate.

(d) If after investigation the division finds no probable cause or refers the complaint for action by another person or agency for action, it shall so notify the complainant and the association.

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

DFI-SL 2.07 Communications with members.

(1) MEMBERS' RIGHT TO COMMUNICATE. (a) Although under s. 215.26 (8), Stats., no person may be furnished with a partial or complete list of members, each member of a mutual association shall have the right to communicate with other members of the association under this section.

(b) This section does not apply to any communication which:

1. Without expressed factual foundation, impugns the character, integrity or reputation of any person, makes charges concerning improper or immoral conduct of any person, or impugns the stability or soundness of the association; or

2. Is not significantly related to the business of the association.

(2) NOTICE TO THE ASSOCIATION. (a) A member wishing to communicate with other members under this section shall furnish the association with a signed request containing:

1. The requesting member's full name and address;

2. The nature and extent of his or her interest in the association;

3. A statement of the reasons for and the purposes of the communication requested;

4. A copy of the proposed communication; and

5. The date of any scheduled meeting of members at which the subject of the communication is expected to be presented for consideration.

(b) The request required in par. (a) shall be furnished to the association not less than 30 days before the annual or special meeting, at which the subject of the communication is to be presented for consideration.

(3) ASSOCIATION'S ACTION UPON RECEIVING NOTICE. (a) Within 5 days after receiving a request under sub. (2), the association shall notify the requestor of:

1. The number of members of the association and the estimated cost that would be incurred by the association in handling and mailing the proposed communication; or

2. The association's decision not to honor the request because the request fails to comply with the requirements of this section or because the proposed communication is not within the scope of this section, stating the rationale in support of its decision.

(b) If circumstances beyond the association's control are anticipated to prevent mailing of the proposed communication in time for it to be received by members prior to a meeting indicated by the requestor under sub. (2) (a), the association shall so notify the requestor at the earliest possible time.

(c) Unless the association has notified the requestor that it will not honor the request, the association shall, upon receiving a sufficient number of copies of the communication and payment sufficient to defray the association's estimated cost of handling and mailing, mail the communication to all of its members at the earliest practicable date or at such later date as the requestor may specify.

(4) REVIEW BY DIVISION. Upon the request of any member or association, the division may review the appropriateness of form, content, frequency, subject or method of mailing any communication under this section, and the estimated cost of its handling and mailing.

Note: This section interprets or implements ss. 215.03 (1), 215.26 (8), Stats.

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

DFI-SL 2.08 Corporate name. (1) GENERAL.

The name of an institution regulated under ch. 215, Stats., may include the word "bank" and shall include the word "savings" and in some manner indicate that it is a state chartered savings institution. An institution may not adopt a title that misrepresents the nature of the institution or the services it offers.

(2) NAME CHANGE PROCEDURE. Prior to changing its corporate name, an institution shall file with the division a written notice indicating the intended change. The division shall notify the institution of its approval or objection on the grounds set forth in sub. (1). Upon receipt of approval, the institution may change its name by amending its articles of incorporation and bylaws.

Note: This section interprets or implements ss. 215.02 (18), 215.135, Stats.

Note: This section parallels 12 CFR 543.1. Amending the articles of incorporation requires a vote of the members of a mutual institution under s. 215.41 (4), Stats., or the stockholders of a capital stock institution under s. 215.61 (4), Stats.

History: Emerg. cr. as S-L 1.22, eff. 1-1-89; cr. Register, September, 1989, No. 405, eff. 10-1-89.

DFI-SL 2.09 Advertising. (1) ACCURATE REPRESENTATIONS REQUIRED.

No institution regulated by the division may use advertising, including print or broadcast media, displays and signs, stationery and all other promotional materials, or make any representation which is inaccurate or which in any way misrepresents its services, contracts, investments or financial condition.

(2) USE OF WORD "SAVINGS". Any advertising shall specifically indicate that an institution is a "savings" institution except that if the word "bank" is not used in the advertising of the institution's name, the word "savings" need not be used in the advertising. No institution may advertise or hold itself out to the public as a commercial bank.

Note: This section interprets or implements ss. 215.02 (18), 215.135, Stats.

Note: This section parallels 12 CFR 563.27.

History: Emerg. cr. as S-L 1.23, eff. 1-1-89; cr. Register, September, 1989, No. 405, eff. 10-1-89.