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STATE OF WISCONSIN)
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 OFFICE OF COMMISSIONER OF SAVINGS AND LOAN)

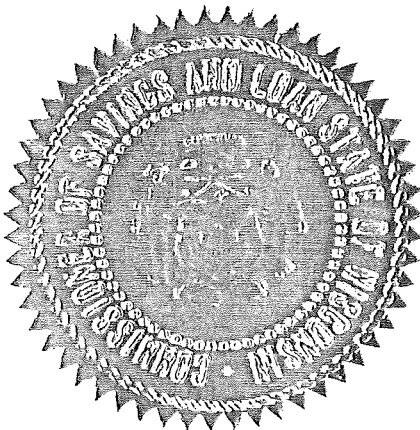
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ORDER NO. 126

I, Harold N. Lee, Deputy Commissioner of Savings and Loan and custodian of the official records of the Office of the Commissioner of Savings and Loan, do hereby certify that the annexed Order No. 126 relating to granting state chartered savings and loan associations parity with federally chartered savings and loan associations with respect to certain powers was duly approved and adopted by this office on May 27, 1983.

I further certify that the copy of the Order annexed hereto has been compared by me with the original on file in this office and that the same is a true copy thereof, and the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of this office in the City of Madison, this 15th day of July, 1983.



Harold N. Lee Jr.
 Harold N. Lee, Deputy Commissioner

4-1-83

ORDER OF THE
OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN
ADOPTING A RULE

ORDER NO. 126

WHEREAS, the rules embodied by this order were submitted to the Legislative Council staff as required under section 227.029 of the Wisconsin Statutes; and

WHEREAS, in accordance with section 227.021 of the Wisconsin Statutes official notice of a hearing on the rules embodied by this order was published in the Wisconsin Administrative Register of November 30, 1983; and

WHEREAS, pursuant to that notice a public hearing was held on December 12, 1983, at which a draft of the attached rule was the topic of discussion; and

WHEREAS, following that hearing a final draft of the rule was approved by the Commissioner of Savings and Loan and the Savings and Loan Review Board; and

WHEREAS, on June 13, 1983, the final draft of the rule was submitted to the presiding officers of the Senate and Assembly and was referred by those officers to the appropriate standing committee on June 14, 1983 and June 16, 1983 respectively, all in accordance with section 227.018 of the Wisconsin Statutes; and

WHEREAS, neither legislative standing committee has objected to any portion of the proposed rule and the time for so doing has expired;

Now, Therefore, pursuant to the authority vested in the Commissioner of Savings and Loan and the Savings and Loan Review Board by sections 215.02(7)(a), 215.02(18) and 227.014(2)(a), Stats., the Office of Commissioner of Savings and Loan hereby adopts a rule as follows:

ORDER OF THE OFFICE OF THE COMMISSIONER OF SAVINGS AND LOAN

AN ORDER to repeal S-L 30.02(10) and (14); to amend S-L 18.03(2), 30.02(3), (5)(intro.) and (7)(intro.) and (c), 30.11(3)(a)(intro.), 30.15 and 30.20(5) and (9) and to repeal and recreate S-L 30.10, 30.11 (title), (1) and (2) and 30.20(3); and to create S-L 30.05, 30.13, 30.14, 30.16, 30.17, 30.18, 30.20(11) to (14), 30.25 and 30.48, of the administrative code relating to granting state chartered savings and loan associations parity with federally chartered savings and loan associations with respect to certain powers.

Analysis of the Office of the Commissioner of Savings and Loan

Under section 215.02(18) of the statutes the Commissioner of Savings and Loan with the approval of the Savings and Loan Review Board may authorize state chartered savings and loan associations to exercise any right, power or privilege federal savings and loan associations are permitted under federal law, regulation or interpretation. On October 15, 1982, Congress enacted the Garn-St. Germain Depository Institutions Act of 1982 (Public L. No. 97-320) extending additional authority to federally chartered associations. On April 26, 1983 the Federal Home Loan Bank Board adopted final rules implementing a number of provisions of the Act. This rule grants state chartered associations, under section 215.02(18) of the statutes, authority granted to federal associations including authority to:

- 1) Make inventory or floor planning loans incidental to the extension of credit to consumers by retailers.
- 2) Invest up to 30% of assets in consumer loans, up from 20% of assets aggregated with funds invested in commercial paper or corporate debt.
- 3) Make commercial loans but subject to a limit of 5% of assets or 10% of assets after December 31, 1984.
- 4) Accept governmental NOW accounts.
- 5) Accept noninterest bearing demand accounts from any person having a business or agricultural loan relationship with the association or from a business entity to effectuate payments from a nonbusiness customer.
- 6) Invest in tangible personal property for the purpose of leasing subject to a 10% of assets limit.
- 7) Make finance leases which are the equivalent of commercial, consumer or mortgage loans.
- 8) Issue letters of credit.
- 9) Make overdraft loans in connection with demand accounts.
- 10) Make loans without geographic restrictions. Currently associations may make mortgage loans only in the U.S.

- 11) Make loans for education expenses. Currently associations may make education loans only for college or university expenses.
- 12) Invest in time deposits or other accounts of savings and loan associations outside this state regardless of whether the accounts are insured, if the association is insured by the Federal Savings and Loan Insurance Corporation.
- 13) Invest in obligations of governmental entities which are not general obligations, subject to credit rating restrictions.
- 14) Offer the money market account.

The rule also makes a number of other revisions of chapter S-L 30 of the administrative code. All associations are subject to the Federal Savings and Loan Insurance Corporation regulations which apply when an association engages in an activity authorized under the rule. The Wisconsin Consumer Act also may regulate activities authorized by this rule. This rule makes permanent an emergency rule now in effect.

Pursuant to authority vested in the commissioner of savings and loan and the savings and loan review board by sections 215.02(7)(a) and (18) and 227.014(2)(a), Stats., the office of the commissioner of savings and loan hereby repeals, amends, repeals and recreates and creates rules interpreting sections 215.02(7)(a) and (18) and 215.21, Stats., as follows:

SECTION 1 S-L 18.03(2) is amended to read:

S-L 18.03 (2) LIMITED APPLICABILITY. This chapter does not apply to a loan which may be made without real estate security, but for which an association obtains the additional security of a real estate, if the association elects not to make the loan under this chapter ~~at the time the loan is made~~. The requirements and restrictions on real estate used as qualifying security for a mortgage loan made in accordance with this chapter do not apply to property obtained as additional security for a loan.

SECTION 2 S-L 30.02(3), (5)(intro.) and (7)(intro.) and (c) are amended to read:

S-L 30.02(3) "Consumer loan" means a secured or unsecured loan, ~~or a lease meeting the requirements of S-L 30.11~~, or an interest in a loan, to a natural person for personal, family or household ~~purposes~~ purpose or a loan reasonably incident to lending for a personal, family or household purpose. A consumer loan may be made as either open-end or closed-end consumer credit but does not include credit extended in connection with credit cards or overdraft loans made in good faith.

(5)(intro.) "Full-payout lease" means a lease with not more than a 40 year term from which the lessor can reasonably expect to realize a return of its full investment in the leased property plus the estimated cost of financing the property over the term of the lease derived from:

(7)(intro.) "Net lease" means a lease under which the association does not directly or indirectly, provide for ~~or~~ and is not obligated to provide for:

(c) The loan ~~or~~ of replacement ~~of~~ or substitute property while the leased property is being serviced;

SECTION 3 S-L 30.02(10) and (14) are repealed:

SECTION 4 S-L 30.05 is created to read:

S-L 30.05 ELECTION OF LOAN OR INVESTMENT CLASSIFICATION. (1) If an association may make an investment, loan or lease under more than one section of the statutes or this chapter the association, except as provided by sub. (2), may designate under which section the investment or loan or any portion of an investment or loan is made. An association may change its designation at any time.

(2) For the purpose of determining compliance with percentage of assets limits under this chapter:

(a) Loans in process, letters of credit, loan commitments or any other commitments to extend credit are investments and are included in total assets of an association only to the extent funds have been advanced and not repaid.

(b) A loan sold to a third party shall be included in calculating compliance with a percentage of assets limitations only to the extent it is sold with recourse.

(c) Overdraft loans on demand accounts and loans for a commercial, corporate, business or an agricultural purpose made by a service corporation which are not secured by real estate are included as an investment of the association under s. S-L 30.13 for the purpose of s. S-L 30.13(2). If a service corporation has multiple stockholders the amount of a loan attributable to a stockholder shall be calculated pro rata according to the percentage of stock owned by the association.

NOTE: This section parallels 12 C.F.R. 545.31 (Election Regarding Classification of Loans or Investments).

SECTION 5 S-L 30.10 is repealed and recreated to read:

S-L 30.10 PARITY; CONSUMER LOANS. (1) An association is authorized, under s. 215.02(18), Stats., to make consumer loans; loans to dealers in consumer goods to finance inventory; and floor planning loans to dealers in consumer goods.

(2) An association's investment in loans under this section may not exceed 30% of the assets of the association. A lease of tangible personal property to a natural person for a personal, family or household purpose under S-L 30.11 is a consumer loan for the purpose of this subsection.

NOTE: This section parallels 12 C.F.R. 545.50 (Consumer Loans).

SECTION 6 S-L 30.11(title), (1) and (2) are repealed and recreated to read:

S-L 30.11(title) PARITY; FINANCE LEASING. (1) GENERAL. An association is authorized under ss. 215.02(18) and 215.21, Stats., to become the legal or beneficial owner of tangible personal property or real property for the purpose of leasing the property or to obtain an assignment of a lessor's interest in a lease of tangible personal property or real property. An association may incur obligations incidental to its position as the legal or beneficial owner and lessor of property leased under this section. An association may become a lessor of property under this section only if:

(a) The lease is a net, full-payout lease representing a noncancelable obligation, notwithstanding the possible early termination of the lease; and

(b) At the expiration of the lease all interest in the property is liquidated or released on a net basis as soon as practicable.

(2) RESIDUAL VALUE. An association may own and lease property under this section only if not more than 20% of the return to be realized used in determining whether the lease is a full-payout lease is from the estimated residual value of the property at the expiration of the initial term of the lease. The estimated residual

value of the property and that portion of the residual value relied upon by the lessor to satisfy the requirement of a full-payout lease shall be reasonable in light of the nature of the leased property and all relevant circumstances so that realization of the lessor's full investment plus the cost of financing the property primarily depends on the credit worthiness of the lessee and not on the residual market value of the leased item property.

SECTION 7 S-L 30.11(3)(a)(intro.) is amended to read:

S-L 30.11(3)(a)(intro.) If an association in good faith believes that there has been an unanticipated change in conditions which threatens its financial position by significantly increasing its exposure to loss, the association, ~~subject to chs. 421 to 427, Stats.,~~ may:

NOTE (to follow S-L 30.11): This section parallels 12 C.F.R. 545.53 (Finance Leasing).

SECTION 8 S-L 30.13 is created to read:

S-L 30.13 COMMERCIAL LOANS. (1) An association is authorized under s. 215.02(18), Stats., to invest in, sell, purchase, participate in, make, or otherwise deal in secured or unsecured loans for commercial, corporate, business or agricultural purposes.

(2) An association's total investment under this section and under s. S-L 30.11 in leases for commercial, corporate, business or agricultural purposes may not exceed 5% of the association's assets prior to January 1, 1984 or 10% of assets after December 31, 1983.

NOTE: This section parallels 12 C.F.R. 545.46 (Commercial Loans).

SECTION 9 S-L 30.14 is created to read:

S-L 30.14 COLLATERAL LOANS. An association is authorized under s. 215.02(18), Stats., to make a loan secured by assignment of loans to the extent it could, under applicable law and rules, make or purchase the assigned loans.

NOTE: This section parallels 12 C.F.R. 545.31(d).

SECTION 10 S-L 30.15 is amended to read:

S-L 30.15 WISCONSIN CONSUMER ACT. An association shall comply with chs. 421 to 428, Stats., if applicable, when making a consumer loan or lease.

SECTION 11 S-L 30.16 is created to read:

S-L 30.16 OPERATING LEASES. (1) An association is authorized, under s. 215.02(18), Stats., to invest in tangible personal property, including, but not limited to, vehicles, manufactured homes, machinery, equipment, or furniture, for the purpose of leasing the property. The estimated residual value of the property after the expiration of the initial term of the lease may not exceed 70% of the association's acquisition cost.

(2) An association may invest not more than 10% of its assets in property acquired and leased under this section.

NOTE: This section parallels 12 C.F.R. 545.78 (Leasing).

SECTION 12 S-L 30.17 is created to read:

S-L 30.17 DEMAND ACCOUNTS. (1) An association is authorized under s. 215.02(18), Stats., to accept and maintain noninterest bearing demand accounts:

(a) From persons that have a business, corporate, commercial or agricultural loan relationship with the association; or

(b) From a commercial, corporate, business or agricultural entity for the sole purpose of effectuating payment to the entity by a nonbusiness customer.

(2) Owners of demand accounts of mutual associations are members of the association.

(3) For the purpose of this section:

(a) A business, corporate, commercial or agricultural loan includes any loan other than a home loan on property occupied or to be occupied by the borrower, a loan to a natural person for personal, family, or household purpose or a participation interest in such loans.

(b) A loan relationship is established where there is a line of credit, any outstanding loan or a lease under s. S-L 30.11, or a previous loan or lease and a reasonable expectation of the renewal of a lending or leasing relationship based on the usual and customary activities and needs of the borrower.

NOTE: This section parallels 12 U.S.C. 1464(b)(1) A (b) and B and 12 C.F.R. 545.12 (Demand Deposit Accounts).

SECTION 13 S-L 30.18 is created to read:

S-L 30.18 LETTERS OF CREDIT.: (1) An association is authorized under s. 215.02(18), Stats., to issue commercial and standby letters of credit under the Uniform Commercial Code or the Uniform Customs and Practice for Documentary Credits and may pledge collateral to secure its obligations under letters of credit. A letter of credit under this section shall:

(a) Conspicuously state that it is a letter of credit;

(b) Contain a specified expiration date or be for a definite term, and be limited in amount;

(c) Provide that the association's obligation to pay is solely dependent upon the presentation of confirming documents as specified in the letter of credit, and not upon the factual performance or nonperformance by the parties to the underlying transaction; and

(d) Provide that the account party has an unqualified obligation to reimburse the association for payments made under the letter of credit.

(2) If funds are advanced under a letter of credit without compensation from the account party, the amount shall be treated as an extension of credit subject to applicable percentage-of-assets limits and other requirements under ch. 215., Stats., and chs. S-L 1 to 50.

NOTE: This section parallels 12 C.F.R. 545.48 (Letter of Credit).

SECTION 14 S-L 30.20(3) is repealed and recreated to read:

S-L 30.20(3) Extend secured or unsecured credit to cover payment of drafts or other funds transfer orders in excess of the available balance of an account on which they are drawn. This subsection does not authorize extension of credit through the use of drafts or other funds transfer orders which result in a debit balance existing for more than 30 days after notice or which are for a purpose other than the good faith payment of overdrafts.

SECTION 15 S-L 30.20(5) and (9) are amended to read:

S-L 30.20(5) Invest in, sell, purchase, participate or otherwise deal in loans or interests ~~on security property located in~~ loans outside its normal lending area ~~but within the United States or its territories and possessions~~ without geographic restriction. There are no restrictions on the aggregate amount an association may invest in loans on security property located outside its normal lending area, or on the qualifications of persons by or through whom the loans are originated or serviced other than those also applicable to loans made on security property located within the normal lending area.

(9) Serve as depository for federal taxes or as treasury tax and loan depository subject to regulation of the U.S. treasury department, and as a

depository of public money and fiscal agent of the government or, when designated by an instrumentality and approved by the commissioner, of any other instrumentality of the government. An association may satisfy any requirement in connection with that depository service, ~~include~~ including, but not limited to, pledging collateral and maintaining a U.S. treasury general or time deposit open account or note or tax and loan accounts which are not savings accounts or savings deposits.

SECTION 16 S-L 30.20(11) to (14) are created to read:

S-L 30.20(11) Offer negotiable order of withdrawal accounts for the deposit of public funds by an officer, employee, or agent of the United States, any territory, possession or subdivision of the United States, any state, county, municipality, town, a political subdivision of a state, county or municipality, the District of Columbia or the Commonwealth of Puerto Rico.

(12) Make loans for the payment of educational expenses, except an association's total investment in loans under this subsection may not exceed 5% of assets. This subsection is in addition to the authority to make a loan under s. 215.13(38), Stats.

(13) Invest in time deposits, savings accounts, certificates or other accounts of any institution the accounts of which are secured by the Federal Savings and Loan Insurance Corporation or a bank the deposits of which are insured by the Federal Depository Insurance Corporation.

(14) Invest in obligations of or issued by any state, territory or possession of the United States or political subdivision of any state, territory or possession (including any agency, corporation or instrumentality). An association may invest in an obligation under this subsection only if:

(a) The obligation continues to hold one of the four highest national investment grade ratings or is issued by a public housing agency and backed by the full faith and credit of the United States, except an association may invest not more than 1% of its assets in obligations of a state, territory, possession or political

subdivision where an office of the association is located regardless of rating; and

(b) The total amount invested in obligations of one issuer exclusive of general obligations, does not exceed 10% of the net worth of the association.

NOTE: (to follow S-L 30.20) This section parallels 12 C.F.R. 545.51 (Credit Cards), 545.17 (Funds Transfer Service), 545.47 (Overdraft Loans), 545.33(g) (Loans on Cooperative Housing Units), 563.9 (Geographic Lending Restrictions, 545.11 (Fees), 561.8 (Sale of Loans With Recourse), 545.16(c) (Tax and Loan Depositories) 545.11 (Savings Account Fees), 12 U.S.C. 1832(a)(2) (Governmental NOW Accounts), 12 U.S.C. 1464(c)(3) A (Education Loans), 12 U.S.C. 1464(c)(2) G (Deposits in Savings and Loan Associations) and 12 C.F.R. 545.72 (Governmental Obligations) affects restrictions under ss 215.13(39) and 215.21 (28), Stats., and effectuates the statement of policy in 12 C.F.R. 556.5 (Branching).

SECTION 17 S-L 30.25 is created to read:

S-L 30.25 MONEY MARKET ACCOUNT. (1) An association is authorized under s. 215.02(18), Stats., to offer a money market account to any person, including, but not limited to, corporations and partnerships, as follows:

(a) An association may open a money market account only if the initial balance is at least \$2,500.

(b) The maximum interest rate on the account shall not exceed the ceiling rate for negotiable order of withdrawal accounts for the entire computation period if the balance is less than \$2,500. An association may determine the balance for

the purpose of this paragraph by averaging the daily balance over a period not to exceed one month. For the purposes of this paragraph "month" means a calendar month or a statement cycle of at least 4 weeks but no longer than 35 days.

(c) Associations shall reserve the right to require at least 7 days notice prior to withdrawal. This notice period shall be applied equally to all depositors.

(d) Associations may guarantee the interest rate to be paid or computation method but for no more than a one month period. An association may establish maturity for the account no longer than one month. An association may not condition the interest rate or computation method on the period of time the funds remain on deposit, if that period is longer than one month.

(e) Associations may permit not more than 6 preauthorized transfers per month, including withdrawals by negotiable order to third persons and telephone transfers to third parties or another account, and not more than 3 withdrawals by negotiable order drawn to third parties.

(f) Associations may accept additional deposits into the account, including automatic transfers from other accounts of the depositor, without limitation.

(g) Associations may not make loans to enable a depositor to meet balance requirements under paragraph (a) or (b).

(h) 1. Associations shall either:

a. Prevent transfers of funds in the money market account which are in excess of the number of transfers permitted under par. (e); or

b. Adopt procedures to monitor those transfers after they have occurred and contact customers who exceed the limits established by par. (e) on more than an occasional basis. For customers who continue to violate those limits after being contacted by the association, the association shall either close the account or take away the account's transfer and draft capacities.

2. Associations may use on a consistent basis either the date on a check or draft or the date it is paid in applying the limit on checks and drafts established by par. (e).

3. The rate of interest or other charges imposed on an overdraft credit arrangement on an account to which withdrawals from the money market account can be paid shall be not less than those imposed on overdrafts for customers who do not maintain the money market account.

(2) Except as explicitly provided this section is in addition to, and does not limit, authority otherwise available to associations under federal and state law.

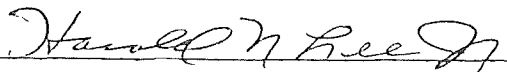
(3) An association may offer the money market account as provided under 12 C.F.R. 1204.122.

SECTION 18 S-L 30.48 is created to read:

S-L 30.48 OTHER AUTHORITY NOT RESTRICTED. The authority provided associations under this chapter and ch. S-L 31 is in addition to and does not limit authority otherwise available under ch. 215, Stats., and under other law.

SECTION 19 EFFECTIVE DATE. This order takes effect on the first day of the month following its publication in the Wisconsin administrative register, as provided by s. 227.026(1)(intro.) Stats.

Dated: July 15, 1983



Harold N. Lee, Deputy Commissioner