**Section 1075.515 Loans Secured by Real Estate**

a) A savings bank may originate, invest in, sell, purchase, service, participate, or otherwise deal in (including brokerage or warehousing) real estate loans or interest in those loans.

b) In determining compliance with the maximum loan-to-value limitations specified in this Subpart, a savings bank shall add to the loan amount the total of all other existing liens or other encumbrances on the security property having priority over the savings bank lien (including the lien to be established by the savings bank but excluding liens that will be released as the result of payments made from the proceeds of the new loan).

c) At the time of origination, a real estate secured loan granted under the provisions shall not exceed the maximum loan-to-value ratio as follows.

1) With respect to home loans originated or refinanced in excess of 90% of the appraised value of the security property, that part of the unpaid balance that exceeds 80% of the property's value shall be insured or guaranteed by mortgage insurance.

2) With respect to all other loans on the security of real estate originated in excess of 90% of the appraised value of the security property, a savings bank's board of directors, or loan comittee, shall approve each loan before its origination and such approval, or ratification of the loan committee approval, shall be recorded in the minutes of its meeting.

3) In determining compliance with the maximum loan-to-value ratio limitations for real estate loans, at the time of making a loan a savings bank shall add together the unpaid amount, or in the case of a line-of-credit loan the approved credit limit, of all recorded loans secured by prior mortgages, liens or other encumbrances on the security property that would have priority over the savings bank's lien, and shall not make such a loan unless the total amount of the loans (including the one to be made but excluding loans that will be paid off out of the proceeds of the new loan) does not exceed the applicable maximum loan-to-value ratio limitations prescribed in subsection (c). In valuing the real estate security, a savings bank may use the current appraised value of the security property, which may include any expected value of improvements to be financed. "Value" for a real estate loan means the market value of the real estate. For loans granted pursuant to Section 6002(3) of the Act, alternative methods of valuation or other procedures that result in an estimate of value may be used.

d) The loan-to-value limitations specified in subsection (c) shall not apply to the following.

1) To loans guaranteed or insured wholly or in part by the United States or any of its instrumentalities.

2) To loans or contracts made to finance the purchase of real estate owned that has been acquired by the savings bank through default on a prior investment provided that the minutes of organization directors' meetings substantiate that the sale is made in compliance with the following:

A) the board of directors approved the specific terms of the loan or contract before the savings bank's issuance of a letter of commitment. If no letter of commitment is to be issued, such approval shall be before the execution of a note, mortgage, or contract for deed between the purchaser and the savings bank;

B) the board of directors' resolution of approval of the respective sale specifically indicates why the sale is in the best interest of the savings bank and that approval is given after duly considering the provisions of this Subpart;

C) the resolution identifies the specific documentation they have utilized in determining that the sale was in the best interest of the savings bank; and

D) all documentation used in evidencing compliance with this Subpart is retained as a part of the records of the savings bank for so long as the savings bank has a direct or indirect interest in the respective real estate.

3) Loans or contracts having additional eligible collateral pledged in an amount equal to that part of the loan or contract that is in excess of the lending limitations specified in subsection (c). Eligible collateral means:

A) any investment permissible for savings banks under the Act;

B) any savings or time deposit in a commercial bank that is insured by the Federal Deposit Insurance Corporation and not under control of any supervisory authority; or

C) the cash surrender value of a life insurance policy validly assigned to the savings bank.

(Source: Amended at 30 Ill. Reg. 19068, effective December 1, 2006)