

**SAVINGS AND LOAN ACT OF 1980 (EXCERPT)**  
**Act 307 of 1980**

**491.702 Real estate loans and land contracts; making or purchasing; limitations; security; provisions and recordation of security instruments; extension or renewal of real estate loan or contract; interests in real estate upon which association may lend money.**

Sec. 702. (1) Subject to rules promulgated by the supervisor, an association or a federal association may make or purchase real estate loans and land contracts pursuant to this section.

(2) A real estate loan or land contract shall not be originated or purchased by an association in excess of 90% of the current appraised value of the real estate secured, nor shall any real estate loan be made where the total of all loans secured by the real estate exceeds 90% of the current appraisal value of the real estate, except in the following instances:

(a) The total of the real estate loan and all other loans senior to the loan secured by the real estate may equal not more than 100% of the current appraised value of real estate, if either of the following occurs:

(i) Repayment of the real estate loan or land contract is insured or guaranteed in an amount not less than 10% of the loan by the United States or this state, by an agency or instrumentality of either of them, by any other private corporation approved by the supervisor, or under the provisions of the national housing act, 12 U.S.C. 1701 to 1750g, or the veteran's housing amendments act of 1976, Public Law 94-324, 90 Stat. 720.

(ii) The association establishes and maintains a specific reserve with respect to the real estate loan equal to 1% of the unpaid principal balance of the loan until the unpaid principal balance has been reduced to 90% of the current appraised value.

(b) The total of the real estate loan and all other loans senior to the loan secured by the real estate may equal not more than 95% of the current appraised value of real estate, if the real estate is improved or will be improved by a dwelling in which the borrower in good faith intends to reside.

(3) Each real estate loan shall be secured by a mortgage or other security instrument constituting a lien upon the real estate securing the loan. If a loan is secured by a leasehold interest the borrower shall agree to repay the loan within the leasehold term and to subrogate to the association all rights of the lessee under the leasehold. All security instruments shall provide the association with full protection with respect to loan and additional advances, the usual insurance risks, taxes, assessments, governmental levies, maintenance, and repairs, and may provide for an assignment of rents that shall be absolute upon the borrower's default and become operative upon demand of the association. All security instruments shall be recorded as provided by law.

(4) An association shall not extend or renew a real estate loan made or a contract purchased under this section if, as renewed or extended, the loan or contract fails to comply with the limitations and provisions of this section at the time of the renewal or extension.

(5) For purposes of this section, a certificate of stock or other evidence of ownership in, or a proprietary lease from, a corporation or partnership formed for the purpose of cooperative ownership of residential real estate, and in interest in a condominium dwelling unit constitute interests in real estate upon which an association may lend money.

**History:** 1980, Act 307, Eff. Jan. 1, 1981;—Am. 1981, Act 114, Imd. Eff. July 17, 1981.