

This rule was filed as 12 NMAC 20.4.4.

**TITLE 12      TRADE, COMMERCE AND BANKING**  
**CHAPTER 20   SAVINGS AND LOAN ASSOCIATIONS**  
**PART 44       ACCOUNTING PROCEDURES**

**12.20.44.1      ISSUING AGENCY:** Financial Institutions Division of the Regulation and Licensing Department, 725 St. Michael's Drive, Santa Fe, New Mexico 87504. Telephone No. (505) 827-7100.  
[3/31/78; 8/30/97; Recompiled 10/15/01]

**12.20.44.2      SCOPE:** All savings and loan associations chartered by the state of New Mexico that are not members of the federal home loan bank system.  
[8/30/97; Recompiled 10/15/01]

**12.20.44.3      STATUTORY AUTHORITY:** Sections 58-10-50, 58-10-72 and 58-10-73 NMSA 1978.  
[3/31/78; 8/30/97; Recompiled 10/15/01]

**12.20.44.4      DURATION:** Permanent.  
[8/30/97; Recompiled 10/15/01]

**12.20.44.5      EFFECTIVE DATE:** March 31, 1978, unless a later date is cited at the end of a section or paragraph. Reformatted in NMAC format effective August 30, 1997.  
[3/31/78; 8/30/97; Recompiled 10/15/01]  
[Compiler's note: The words *or paragraph*, above, are no longer applicable. Later dates are now cited only at the end of sections, in the history notes appearing in brackets.]

**12.20.44.6      OBJECTIVE:** The objective of this sub-part [now part] is to bring to state savings and loan associations the accounting procedures that conform to the provisions of this sub-part [now part].  
[8/30/97; Recompiled 10/15/01]

**12.20.44.7      DEFINITIONS:**

A. "Acquisition charges" includes finder's fee, buying commission, attorney's fee and brokerage fee paid by an association in connection with the making or acquisition of a mortgage loan or commitment, but does not include a premium paid by such association in connection with the purchase of a mortgage loan.

B. "Acquisition credits" means that portion of any consideration other than the average interest provided by the loan contract, charged or received by an institution for or in connection with the making or acquisition of a mortgage loan or commitment that is made or acquired, that is in excess of the greater of a) \$50.00 or b) two percent of the amount of the loan if the loan is for the purpose of construction, or one percent of the amount of the loan if the loan is for any other purpose, plus for either type of loan \$50.00 for those associations utilizing employees of the association to perform appraisal, attorney or loan closing functions; provided that the term "acquisition credits" does not include specifically itemized charges collected by an association from the borrower and paid out to third parties for necessary initial charges in connection with the mortgage loan.

C. "Amount of loan" means the face amount of the obligation executed by the primary obligor on a mortgage loan, except that with respect to a mortgage loan acquired by an association such term means the principal balance of such loan at the time of its acquisition by such association.

D. "Mortgage loan" means any loan or contract (or interest therein) on the security of real estate.  
[3/31/78; 8/30/97; Recompiled 10/15/01]

**12.20.44.8      ACCOUNTING PROCEDURES:**

A. A premium paid by an association in connection with the acquisition of a mortgage loan may be charged off when paid or may be capitalized; if capitalized, a proportionate amount thereof shall be charged to expense, at least semiannually, over the remaining term of the loan.

B. If an association purchases a loan at a discount, such discount shall be deferred and credited to an account descriptive of deferred discount income, and a proportionate amount of such discount shall be credited to income, at least semiannually, over a period of seven years. For the purpose of this sub-part [now part], a loan shall

be deemed to have been purchased by an association at a discount if the price paid by such institution for such loan is less than the amount of the loan balance.

C. All acquisition charges, as hereinafter, in connection with the making or acquisition of a mortgage loan by an association shall be charged to such association's expense for the accounting period in which such charges are incurred and shall not be deferred beyond the end of such accounting period.

D. Any acquisition credits, as hereinafter defined, in connection with the making or acquisition of any mortgage loan by an association, not treated as provided in Subsection 8.5 of this sub-part [now Subsection E of 12.20.44.8 NMAC], shall be deferred and shall be credited to an account descriptive of deferred income, and a proportionate amount of all acquisition credits so deferred shall be credited to income, at least semiannually, over a period of seven years.

E. If, during any fiscal year, in connection with the making or acquisition of any mortgage loan, any acquisition credits are not deferred in the manner provided in Subsection 8.4 of this Sub-part [now Subsection D of 12.20.44.8 NMAC], an association shall credit from its net income for such fiscal year, to a reserve account that shall be established for losses and entitled "Reserve for Losses", an amount equal to the amount of acquisition credits applicable to such loan. Credits to such reserve account shall be in addition to and not a part of reserve credits required to be made; and such reserve account shall not be considered a part of such association's reserve account, shall not receive credit from any source other than that provided in this Subsection 8.5 [now Subsection E of 12.20.44.8 NMAC] and shall not receive any charges except as set forth in Subsection 8.6 of this sub-part [ now Subsection F of 12.20.44.8 NMAC].

F. In each fiscal year one-seventh part of the credits required to be made during such fiscal year and during past fiscal years to the reserve account provided for in Subsection 8.5 [now Subsection E of 12.20.44.8 NMAC] shall become available for credit from such account to such association's reserve account. Charges for the purpose of absorbing losses may be made in any fiscal year for the reserve account provided for in Subsection 8.5 [now Subsection E of 12.20.44.8 NMAC] shall become available for credit from such account to such association's reserve account. Charges for the purpose of absorbing losses may be made in any fiscal year for the reserve account provided for in Subsection 8.5 [now Subsection E of 12.20.44.8 NMAC], provided the reserve account of such association and all its other reserve accounts established for the purpose of absorbing losses shall first have been exhausted by losses.

G. If a mortgage loan owned by an association is sold without recourse at a premium, such premium shall be credited to such association's income for the accounting period in which the loan is sold. If a mortgage loan owned by an association is sold without recourse at a loss or at a discount, such loss or discount shall be charged to the balance of any acquisition credits or purchase discount applicable to such loan that remains deferred at the time of such sale; any loss or discount in excess of such balance shall be charged to such association's expense for the accounting period in which the loan is sold.

H. When an association sells real estate owned by it, such association's records shall disclose the book value of such real estate at the time of such sale and the price at which it is sold. If such sale results in a profit, such part of the profit as is proportionate to the part of the sale price not received by the association in cash at the time of sale shall be deferred and credited to an account descriptive of unearned profit on real estate sold; thereafter such unearned profit shall be deemed to have been realized to no greater extent than is proportionate to the reduction of the unpaid balance of the sale contract or purchase money mortgage.

I. Every association shall maintain all major income and expense accounts on a full accrual basis.  
[3/31/78; 8/30/97; Recompiled 10/15/01]

**HISTORY OF 12.20.44 NMAC:**

Pre-NMAC History: The material in this part was derived from that previously filed with the State Records Center under:

FID 78-2, Order 78-1, Adopting Regulation 78-1 S&LB thru 78-13 S&LB, filed 5/1/78.

History of Repealed Material: [RESERVED]