**Section 1075.575 Finance Leasing**

Savings banks may engage in leasing activities that are the functional equivalent of lending, subject to the limitations of this Section.

a) A savings bank may become the legal or beneficial owner of tangible personal property or real property to lease such property, may obtain an assignment of a lessor's interest in a lease of such property, and may incur obligations incidental to its position as the legal or beneficial owner and lessor of the leased property, if:

1) the lease is a net, full-payout lease representing a non-cancelable obligation of the lessee, not-withstanding the possible early termination of the lease; and

2) at the expiration of the lease, the savings bank's interest in the property shall be liquidated or released on a net basis as soon as practicable.

b) A lease of tangible personal property made to a natural person for personal, family or household purposes pursuant to this Section shall be subject to all limitations applicable to the amount of a savings bank's investment in similar loans. A lease made for commercial, corporate, business or agricultural purposes pursuant to this Section shall be subject to all limitations applicable to the amount of a savings bank's investment in commercial loans. A lease of residential or nonresidential real property made pursuant to this Section shall be subject to all limitations applicable to the amount of a savings bank's investment in real estate loans.

c) Definitions − for the purposes of this Section shall be the following.

1) The term "net lease" means a lease under which the savings bank will not, directly or indirectly provide or be obligated to provide for:

A) the servicing, repair or maintenance of the leased property during the lease term;

B) the purchasing of parts and accessories for the leased property, except that improvements and additions to the leased property may be leased to the lessee upon its request in accordance with the full-payout requirements of this Section;

C) the loan of replacement or substitute property while the leased property is being serviced;

D) the purchasing of insurance for the lessee, except where the lessee has failed to discharge a contractual obligation to purchase or maintain insurance; or

E) the renewal of any license, registration of filing for the property unless such action by the savings bank is necessary to protect its interest as an owner or financier of the property.

2) The term "full-payout" lease means one 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, from rentals, estimated tax benefits, guarantees and other sources, and the estimated residual value of the property at the expiration of the initial term of the lease. Provided that no more than 20 percent of the return may be realized from the residual value of the property at the expiration of the initial term of the lease, both the estimated residual value of the property and that portion of the estimated residual value relied upon by the lessor to satisfy the requirements of a full-payout lease must 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 depends primarily on the credit worthiness of the lessee, and not on the residual market value of the leased property. The maximum term of a full-payout lease shall be 20 years.

d) Salvage Powers − if, in good faith, a savings bank believes that there has been an unanticipated change in conditions that threatens its financial position by significantly increasing its exposure to loss, this Section shall not prevent the savings bank:

1) as the owner and lessor under a net, full-payout lease, from taking reasonable and appropriate action to salvage or protect the value of the property and its interest arising under the lease;

2) as the assignee of a lessor's interest in a lease, from becoming the owner and lessor of the leased property pursuant to its contractual right, or from taking any reasonable and appropriate action to salvage or protect the value of the property or its interest arising under the lease; or

3) from including any provisions in a lease, or from making any additional agreements, to protect its financial position or investment in the circumstances set forth in this Section.

e) Notwithstanding any limitation of this Section, a savings bank may engage in leasing activities to the same extent and manner permitted to any other type of depository institution.

(Source: Amended at 26 Ill. Reg. 13483, effective September 13, 2002)