

mortgage figure of \$2000. The real estate would then be carried on the books at \$2000 and the undivided profit or reserve fund would be debited \$300 to balance the cash credit.

Coming back to the situation arising when a building and loan association so purchases property at less than the amount loaned thereon, it must be borne in mind that the loss is somewhat in the nature of a contingent loss—the contingency being subject to final determination upon the ultimate sale of the property and also subject to final determination in the event execution is had upon a deficiency judgment. In my view, sound accounting practice would require that upon such ultimate sale, if the property is sold for an amount more than it had been theretofore carried on the books, the undivided profit fund, or the reserve fund or both, as the case might be, should be reimbursed to the extent of loss theretofore charged to such fund or funds as a result of the foreclosure. There is nothing in the law to preclude such practice. There should certainly be no profit set up until the fund or funds have been first reimbursed to the extent of the loss theretofore charged off on a particular transaction.

In view of the foregoing, it is my opinion that:

1. When a building and loan association purchases real estate in a foreclosure proceeding for an amount less than theretofore loaned thereon, the transaction should be closed at the time the foreclosure is terminated and such property should be carried on the books of the company at its true value, but not exceeding the cost of same to the company in the foreclosure proceeding, the loss being charged to either the undivided profit fund or to the reserve fund.

2. When a loss has been charged to the reserve fund or the undivided profit fund or both as a result of a foreclosure proceeding at which a building and loan association has purchased property for less than the amount loaned thereon, when such property is ultimately sold for an amount greater than it had been carried on the books of the association or when the deficiency judgment is paid, the undivided profit fund, the reserve fund, or both, as the case might be, should be reimbursed up to the extent of the loss theretofore charged off.

3. Under such circumstances, if the value of such real estate is more than the cost, it should be carried on the books of the company at the amount bid, which includes court costs and taxes.

4. In the event property is purchased at foreclosure proceedings by a building and loan association for an amount in excess of the amount loaned thereon, such excess being a sum to pay court costs and taxes, the real estate should be carried on the books at the amount of the loan, and court costs and taxes should be charged to the undivided profit fund or to the reserve fund.

Respectfully,

GILBERT BETTMAN,
Attorney General.

2819.

APPROVAL, BONDS OF VILLAGE OF OHIO CITY, VAN WERT COUNTY,
OHIO—\$19,125.00.

COLUMBUS, OHIO, January 13, 1931.

Retirement Board, State Teachers Retirement System, Columbus, Ohio.