State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-4837/1
MDK:lmk:ch

2005 ASSEMBLY BILL 1162

April 3, 2006 – Introduced by Representatives GIELOW and FIELDS, by request of The Lutheran Church Extension Fund. Referred to Committee on Financial Institutions.

AN ACT ***to create*** 138.056 (1) (a) 5. of the statutes; **relating to:** maximum interest rates of certain variable rate loans and granting rule-making authority.

Analysis by the Legislative Reference Bureau

Current law prohibits a lender who makes a residential variable rate loan from adjusting the borrower's interest rate pursuant to an index unless the index is an "approved index" as defined under current law. A variable rate loan that is subject to this prohibition is a loan secured by a first lien or equivalent security interest in any of the following: 1) a 1- to 4-family dwelling that the borrower uses as his or her principal residence; or 2) a mobile home. Current law defines "approved index" as any of the following: 1) the national average mortgage contract rate for major lenders on the purchase of previously occupied homes, as computed by the Federal Home Loan Bank Board; 2) the monthly average of weekly auction rates on certain U.S. treasury bills; 3) the monthly average yield on certain U.S. treasury securities; or 4) an index that is readily verifiable by borrowers and beyond the control of an individual lender and that, depending on the type of lender, is approved by the Office of Credit Unions, the Commissioner of Insurance, or the Division of Banking.

This bill defines "approved index" to include, in addition to the above, an index with a maximum interest rate that does not exceed an amount equal to 4 percent plus the yield on 30-year mortgage commitments for delivery within 60 days on standard conventional fixed-rate mortgages that is posted by the Federal National Mortgage Association, or its successor, and published in the Wall Street Journal, or another publication specified by rule by the Division of Banking, for the last business day of the second month before the date that a variable rate loan is made.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 138.056 (1) (a) 5. of the statutes is created to read:

138.056 **(1)** (a) 5. An index with a maximum interest rate that does not exceed an amount equal to 4 percent plus the yield on 30–year mortgage commitments for delivery within 60 days on standard conventional fixed–rate mortgages that is posted by the Federal National Mortgage Association, or a successor association, and published in the Wall Street Journal, or other publication specified by rule by the division of banking, for the last business day of the 2nd month before the date that a variable rate loan is made.

(END)