



## WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

**2005 Wisconsin Act 128**  
[2005 Assembly Bill 456]

**Prepayment Penalties on Variable  
Rate Residential Mortgages**

2005 Wisconsin Act 128 permits a prepayment penalty on a variable rate residential mortgage if the following are satisfied:

1. The lender makes variable rate loans without prepayment penalties and provides the borrower with a written statement of that fact;
2. The borrower acknowledges in writing that he or she received the statement;
3. Prepayment penalties are limited to the first three years of the loan; and
4. Prepayment penalties are not charged in connection with the sale of a home.

Current law generally prohibits charging a prepayment penalty in conjunction with a variable rate loan where the lender utilizes an approved index to calculate increases or decreases in the loan interest rate.

***Effective Date:*** This Act takes effect on March 25, 2006.

***Prepared by:*** Dan Schmidt, Senior Analyst

March 14, 2006

DWS:jal

---

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.state.wi.us/>.