



**SENATE SUBSTITUTE AMENDMENT 1,  
TO 2005 SENATE BILL 230**

November 28, 2005 - Offered by Senator STEPP.

1 **AN ACT to repeal** 138.056 (3) (a); **to renumber** 138.056 (3) (b); **to amend** 138.056  
2 (3) (title); and **to create** 138.056 (3m) of the statutes; **relating to:** prepayment  
3 penalties on variable rate residential mortgage loans.

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

4 **SECTION 1.** 138.056 (3) (title) of the statutes is amended to read:

5 138.056 (3) (title) FEES AND PENALTIES PROHIBITED.

6 **SECTION 2.** 138.056 (3) (a) of the statutes, as affected by 2003 Wisconsin Act  
7 257, is repealed.

8 **SECTION 3.** 138.056 (3) (b) of the statutes is renumbered 138.056 (3).

9 **SECTION 4.** 138.056 (3m) of the statutes is created to read:

10 138.056 (3m) PREPAYMENT PENALTIES. (a) Notwithstanding s. 138.052 (2) (a),  
11 and except as provided in s. 428.207, a lender may not include a prepayment penalty

1 in a variable rate loan using an approved index unless all of the following are  
2 satisfied:

3 1. The lender also makes variable rate loans without prepayment penalties and  
4 the lender provides the borrower with a written statement that the lender also makes  
5 variable rate loans without prepayment penalties.

6 2. At the time of the offer of the variable rate loan, and the borrower  
7 acknowledges, in writing, receipt of the statement specified in subd. 1.

8 3. The penalty is limited to prepayment that is made within 3 years of the date  
9 of the loan.

10 4. The prepayment is not made in connection with the sale of a dwelling or  
11 mobile home securing the loan.

12 (b) This subsection applies variable rate loans made, refinanced, renewed,  
13 extended, or modified on or after the effective date of this paragraph .... [revisor  
14 inserts date].

15 (END)