

2005 DRAFTING REQUEST

Bill

Received: 03/02/2006

Received By: mkunkel

Wanted: As time permits

Identical to LRB:

For: Curtis Gielow (608) 266-0486

By/Representing: John Reinemann

This file may be shown to any legislator: NO

Drafter: mkunkel

May Contact:

Addl. Drafters:

Subject: Fin. Inst. - int. rates/loans

Extra Copies:

Submit via email: YES

Requester's email: Rep.Gielow@legis.state.wi.us

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Internal index for setting mortgage rates

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?							
/1	mkunkel 03/23/2006	lkunkel 03/24/2006	chaugen 03/24/2006	_____	lnorthro 03/24/2006	lnorthro 03/28/2006	

FE Sent For: *none*

<END>

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/?	mkunkel	1/mk 3/24	Ch 3/24	Ch 3/24			

FE Sent For:

<END>

Kunkel, Mark

From: LRB.Legal
Sent: Thursday, March 16, 2006 1:45 PM
To: Kunkel, Mark
Subject: FW: Drafting request for Rep. Gielow's office

Sarah Basford

Program Assistant
State of Wisconsin
Legislative Reference Bureau
PH: (608) 266-3561/FAX: (608) 264-6948
sarah.basford@legis.state.wi.us

From: Reinemann, John
Sent: Thursday, March 16, 2006 1:37 PM
To: LRB.Legal
Subject: RE: Drafting request for Rep. Gielow's office

I have been asked to inquire about this draft. Thank you.

John Reinemann
Aide to Rep. Curt Gielow
608-266-0486

From: Reinemann, John
Sent: Thursday, March 02, 2006 8:15 PM
To: LRB.Legal
Subject: Drafting request for Rep. Gielow's office

I wish to request a bill to be drafted.

We are requesting this draft because we were asked to do so by the Lutheran Church Extension Fund, www.lcef.org, a financial-services entity whose mission is to provide financial resources and related services for activities of the Lutheran Church – Missouri Synod.

One of the church activities eligible for financing by the Fund is the purchase of a primary residence by Synod clergy. The Fund is able to offer attractive rates for participating clergy. However, the Fund cannot offer residential mortgages in Wisconsin because of its use of an internally-controlled index to set loan rates. The relevant statute is s.138.056.

Rep. Gielow would like to amend s. 138, which requires that mortgage lenders use an external index in setting rates. Rep. Gielow understands the rationale for this statute but notes that several states have enacted laws allowing internally-set indexes as long as there is an upper limit on the rate actually charged.

Rep. Gielow suggests that an allowable index be created that the LCEF and other similar organizations could meet. At the suggestion of the LCEF, he suggests the following wording from Minnesota law subdivision 4a of Section 47.20 Financial Corporations:

For conventional loans, cooperative loans and contracts for deeds (which are not affected by the state statute accomplishing the same result as federal preemption), the maximum interest rate is an amount equal to the Fannie Mae posted yields on 30-year mortgage commitments for delivery within 60 days on standard conventional fixed-rate mortgages published in the Wall Street Journal for the last business day of the second preceeding month, plus four percent.

I am informed by LCEF that this language today would allow mortgages at rates no higher than somewhere around 10%

annually. LCEF's current mortgage rate is currently held to a self-determined ceiling of 3.5% annually. This language would allow LCEF to offer attractive loans to eligible clergy in Wisconsin without changing the LCEF's internally-set index for loans, while still providing a reasonable ceiling on possible future rates.

Please feel free to contact me with any questions. Thank you.

John Reinemann
Aide to Rep. Curt Gielow
608-266-0486

5.000	Sprint Capital Corp (S)	97.007	5.506	71	10	43,047
8.375	General Electric Capital Corp (GE)	97.407	5.477	88	5	41,985
3.500	HSBC Finance Corp (HSBC)	114.844	5.455	87	5	41,725
4.125	HSBC Finance Corp (HSBC)	96.833	5.061	35	2	41,080
5.750	Clear Channel Communications Inc (CCU)	97.276	5.185	48	2	40,845
4.625	Clear Channel Communications Inc (CCU)	100.553	5.115	n.a.	n.a.	40,097
7.650	Darden Restaurants Inc (DRI)	98.393	5.538	81	2	39,790
4.875	IStar Financial Inc (SFI)	106.148	6.078	142	5	39,605
5.875	Wells Fargo (WFC)	97.646	5.477	82	5	39,600
4.625	John Deere Capital Corp (DE)	100.066	5.865	128	10	36,300
4.500	Comcast Holdings Corp (CMCSA)	97.864	5.168	52	5	36,165
5.500	Integrated Electrical Services Inc (IESR)	99.098	5.143	41	2	35,650
9.375	Credit Suisse (USA) Inc (CS)	99.447	5.627	97	5	34,590
4.700	Kroger Co (KR)	112.055	4.883	17	3	33,915
6.750	Merrill Lynch Inc (MER)	98.452	5.222	57	3	33,727
4.250	J.P. Morgan Chase (JPM)	104.942	5.778	118	5	33,585
5.150	TXU Energy Co LLC (TXU)	96.443	5.262	60	5	33,040
7.000	America Movil Sa De Cv (AMXMM)	97.692	5.462	86	10	31,400
5.750	Lennar Corp (LEN)	105.856	5.968	138	10	30,600
5.500	Boeing Capital Corp (BA)	100.054	5.741	116	10	29,758
5.750	Ameriprise Financial Inc (AMP)	96.317	6.061	147	10	29,005
5.650	Time Warner Inc (TWX)	100.516	5.185	n.a.	n.a.	28,881
6.150	J.P. Morgan Chase (JPM)	100.734	5.550	96	10	28,621
5.125	Credit Suisse (USA) Inc (CS)	100.978	5.265	53	2	28,500
5.875	Comcast Cable Communications Inc (CMCSA)	98.076	5.409	81	10	28,365
6.200	Nov 15, 2008	100.340	5.011	n.a.	n.a.	27,728
		101.949	5.411	71	2	

Volume represents total volume for each issue; price/yield data are for trades of \$1 million and greater. * Estimated spreads, in basis points (100 basis points is one percentage point), over the 2, 3, 5, 10 or 30-year hot run Treasury note/bond. 2-year: 4.625 02/08; 3-year: 4.500 02/09; 5-year: 4.500 02/11; 10-year: 4.500 02/16; 30-year: 5.375 02/31. † Comparable U.S. Treasury issue.
Source: MarketAxess Corporate BondTicker

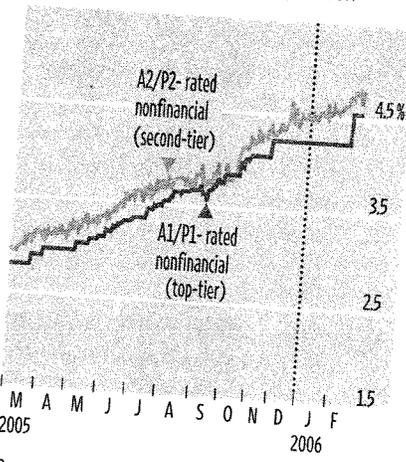
FINMA	41,985
GNMA	41,725
GNMA	41,080
15-year	40,845
FNMA	40,097
FNMA	39,790
GNMA	39,605
GNMA	39,600
*Extra	36,300
interest	36,165
	35,650
	34,590
	33,915
	33,727
	33,585
	33,040
	31,400
	30,600
	29,758
	29,005
	28,881
	28,621
	28,500
	28,365
	27,728

Money Rates

The key U. S. and foreign annual interest rates below are a guide to general levels but don't always represent actual transactions.

Commercial Paper

Yields paid by corporations for short-term financing, typically for daily operation



Source: Federal Reserve

Prime Rate: 7.50% (effective 01/31/06). The base rate on corporate loans posted by at least 75% of the nation's 30 largest banks.

Discount Rate (Primary): 5.50% (effective 01/31/06).

Federal Funds: 4.625% high, 4.438% low, 4.375% near closing bid, 4.500% offered. Effective rate: 4.54%. Source: Tullett Prebon Information, Ltd. Federal-funds target rate: 4.500% (effective 01/31/06).

Call Money: 6.25% (effective 01/31/06).

Commercial Paper: Placed directly by General Electric Capital Corp.: 4.50% 30 to 39 days; 4.55% 40 to 59 days; 4.62% 60 to 89 days; 4.69% 90 to 119 days; 4.73% 120 to 149 days; 4.76% 150 to 179 days; 4.80% 180 to 209 days; 4.82% 210 to 239 days; 4.83% 240 to 270 days.

Euro Commercial Paper: Placed directly by General Electric

Monday, February 27, 2006

Capital Corp.: 2.53% 30 days; 2.57% two months; 2.62% three months; 2.64% four months; 2.69% five months; 2.72% six months.

Dealer Commercial Paper: High-grade unsecured notes sold through dealers by major corporations: 4.53% 30 days; 4.64% 60 days; 4.73% 90 days.

Certificates of Deposit: 4.55% one month; 4.79% three months; 4.94% six months.

Bankers Acceptances: 4.59% 30 days; 4.68% 60 days; 4.78% 90 days; 4.84% 120 days; 4.90% 150 days; 4.94% 180 days. Source: Tullett Prebon Information, Ltd.

Eurodollars: 4.61% - 4.59% one month; 4.71% - 4.69% two months; 4.75% - 4.73% three months; 4.86% - 4.83% four months; 4.92% - 4.89% five months; 4.97% - 4.94% six months. Source: Tullett Prebon Information, Ltd.

London Interbank Offered Rates (Libor): 4.6300% one month; 4.8200% three months; 4.9900% six months; 5.1500% one year. Effective rate for contracts entered into two days from date appearing at top of this column.

Euro Libor: 2.57325% one month; 2.65875% three months; 2.76713% six months; 2.96563% one year. Effective rate for contracts entered into two days from date appearing at top of this column.

Euro Interbank Offered Rates (Euribor): 2.571% one month; 2.657% three months; 2.769% six months; 2.965% one year. Source: Reuters.

Foreign Prime Rates: Canada 5.25%; European Central Bank 2.25%; Japan 1.375%; Switzerland 2.81%; Britain 4.50%.

Treasury Bills: Results of the Monday, February 27, 2006, auction of short-term U.S. government bills, sold at a discount from face value in units of \$1,000 to \$1 million: 4.510% 13 weeks; 4.580% 26 weeks. Wednesday, February 22, 2006 auction: 4.350% 4 weeks.

Overnight Repurchase Rate: 4.45%. Source: Garban Inter-capital.

Freddie Mac: Posted yields on 30-year mortgage commitments. Delivery within 30 days 6.05%, 60 days 6.07%, standard conventional fixed-rate mortgages: 3.375%, 2% rate capped one-year adjustable-rate mortgages.

Fannie Mae: Posted yields on 30 year mortgage commitments (priced at par) for delivery within 30 days 6.112%, 60 days 6.14%, standard conventional fixed-rate mortgages. Constant Maturity Debt Index: 4.725% three months; 4.922% six months; 4.940% one year.

Merrill Lynch Ready Assets Trust: 3.79%.

Consumer Price Index: January, 198.3, up 4.0% from a year ago. Bureau of Labor Statistics.

Guar

GIC rates quote for Treasury CHANGES Source: T

High Low Index

Top Quar

Spread v

Total R

In percent, t

Japan	
Britain	
Germany	
France	
Canada	
Netherlands	
EMU-d	
Global-a	
EMBI-b	
a-18 int'l gov. m	

High-Yie

Monday, February 27, 2006

Ten most active fr

COMPANY (TICKER)	
Dana Corp (DCN)	
Dana Corp (DCN)	
Dana Corp (DCN)	
General Motors A	
Dana Corp (DCN)	
Dana Corp (DCN)	
General Motors A	
Visteon Corp (VC)	
Ford Motor Credit	
Lear Corp (LEA)	

Volume represents the basis points is one percentage point over the 4.500 02/11; 10-year Source: MarketAxess



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-4837/1

MDK:.....

lmc

2005 BILL

Tomorrow
3/24
AM

Benlat

✓+

1 AN ACT ...; relating to: maximum interest rates of certain variable rate loans and
2 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 ~~four~~ ^{5.4} 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

Basford, Sarah

From: Rep.Gielow
Sent: Monday, March 27, 2006 6:46 PM
To: LRB.Legal
Subject: Draft Review: LRB 05-4837/1 Topic: Internal index for setting mortgage rates

Please Jacket LRB 05-4837/1 for the ASSEMBLY.