



## 2015 ASSEMBLY BILL 24

1     **AN ACT** *to amend* 138.056 (2) (intro.) and 138.056 (2) (b); and *to create* 138.056  
2           (2m) of the statutes; **relating to:** variable rate loans.

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*Analysis by the Legislative Reference Bureau*

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

3           **SECTION 1.** 138.056 (2) (intro.) of the statutes is amended to read:  
4           138.056 (2) REQUIRED TERMS. (intro.) ~~A~~ Except as provided in sub. (2m), a  
5           variable rate loan contract shall:

6           **SECTION 2.** 138.056 (2) (b) of the statutes is amended to read:  
7           138.056 (2) (b) Use an approved index if it provides for adjustments to the  
8           interest rate corresponding to an index. The Subject to sub. (2m), the initial index  
9           value shall be the most recently available value of the index prior to the date of  
10          closing of the loan. The interest rate at adjustment shall reflect the difference, in

**ASSEMBLY BILL 24****SECTION 2**

1 reference to the interest rate of the variable rate loan at the date of closing or, if sub.  
2 (2m) is applicable, upon expiration of the initial interest rate period, between the  
3 initial index value and the index value most recently available as of the date notice  
4 of the interest rate adjustment is mailed under sub. (4) except the lender may  
5 decrease the interest rate or decline to increase the interest rate at any time. The  
6 interest rate shall be decreased to reflect any downward movement of the index  
7 except to the extent the decrease offsets increases in the index not implemented as  
8 interest rate increases. An increase in the index permitting the lender to increase  
9 the interest rate but declined by the lender for any rate adjustment interval may be  
10 carried over and applied in succeeding interest rate adjustment intervals to the  
11 extent the increase is not offset by subsequent decreases in the index. ~~The variable~~  
12 ~~rate loan contract may provide for minimum interest rate change increments which~~  
13 ~~shall apply to both increases and decreases. The variable rate loan contract may~~  
14 ~~limit interest rate decreases only if interest rate increases are restricted at least to~~  
15 ~~the same extent.~~

16 **SECTION 3.** 138.056 (2m) of the statutes is created to read:

17 138.056 **(2m)** DISCOUNTED INITIAL RATE. A variable rate loan contract may  
18 include a discounted initial interest rate that is lower than the rate established  
19 under sub. (2) (b). Upon expiration of the initial interest rate period, sub. (2) (b) shall  
20 apply. For purposes of sub. (2) (b), the initial index value shall be the most recently  
21 available value of the index immediately prior to the expiration of the initial interest  
22 rate period. This subsection applies to variable rate loan contracts entered into on  
23 or after the effective date of this subsection .... [LRB inserts date].

24 **SECTION 4. Initial applicability.**

