



**ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO 1995 ASSEMBLY BILL 787**

February 28, 1996 – Offered by COMMITTEE ON FINANCIAL INSTITUTIONS.

1 **AN ACT** *to renumber and amend* 422.209 (5); *to amend* 421.301 (20) (intro.);
2 and *to create* 422.209 (5) (b) of the statutes; **relating to:** prepayment fees in
3 consumer credit transactions.

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

4 **SECTION 1.** 421.301 (20) (intro.) of the statutes is amended to read:
5 421.301 (20) (intro.) “Finance charge” means the sum of all charges, payable
6 directly or indirectly by the customer as an incident to or as a condition of the
7 extension of credit, whether paid or payable by the customer, the creditor or any other
8 person on behalf of the customer to the creditor or to a 3rd party unless the creditor
9 had no notice or knowledge of the charges paid or payable to the 3rd party. The term
10 includes the following types of charges to the extent they are not permitted
11 additional charges under s. 422.202 ~~or~~, delinquency charges (~~under s. 422.203~~)~~or~~,
12 deferral charges (~~under s. 422.204~~) or charges permitted to be collected or retained
13 under s. 422.209 (5):

1 **SECTION 2.** 422.209 (5) of the statutes is renumbered 422.209 (5) (intro.) and
2 amended to read:

3 422.209 **(5)** (intro.) This section does not preclude the collection or retention by
4 the creditor of ~~delinquency~~ any of the following:

5 (a) Delinquency charges under s. 422.203 for delinquencies or payments due
6 prior to prepayment.

7 **SECTION 3.** 422.209 (5) (b) of the statutes is created to read:

8 422.209 **(5)** (b) A prepayment fee, if all of the following requirements are met:

9 1. The loan for which the fee is assessed is prepaid within 6 months of its
10 origination.

11 2. The parties have agreed in writing to the imposition of the fee. The
12 provisions in the agreement regarding the prepayment fee shall be stated clearly and
13 conspicuously and shall be printed in boldface type.

14 3. The fee does not exceed the lesser of \$150 or 2% of the unpaid balance of
15 principal, calculated according to the actuarial method, at the time the loan is
16 prepaid.

17 **SECTION 4. Initial applicability.**

18 (1) This act first applies to consumer credit transactions and loan agreements
19 entered into, renewed, extended or modified on the effective date of this subsection.

20

(END)