



## 1995 ASSEMBLY BILL 239

March 21, 1995 - Introduced by Representatives R. YOUNG, MUSSER, HUBER, JOHNSRUD, BALDWIN, BELL, NOTESTEIN, GRONEMUS, BOCK, L. YOUNG and BOYLE, cosponsored by Senators WINEKE and CHVALA. Referred to Committee on Financial Institutions.

1 **AN ACT to amend** 138.052 (5) (b) of the statutes; **relating to:** interest on escrow  
2 accounts.

---

### *Analysis by the Legislative Reference Bureau*

Under current law, if a financial institution (a bank, credit union, savings and loan association, savings bank or mortgage banker) is required to pay interest on a borrower's escrow account (an account established to ensure the payment of property taxes and insurance for real estate), the financial institution pays interest at an annual rate of 5.25% or at a variable annual rate, calculated using the average interest rate paid on financial institution regular passbook accounts.

Presently, the parties may waive the interest requirement if the financial institution sells more than 75% of its interest in the loan to a 3rd party and that 3rd party holds the escrow funds. This bill eliminates this waiver option.

---

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

3 **SECTION 1.** 138.052 (5) (b) of the statutes is amended to read:  
4 138.052 (5) (b) The On loans that originate after January 31, 1983, and before  
5 the effective date of this paragraph ... [revisor inserts date], the parties may agree  
6 to waive payment of all or part of the interest required under par. (a) or (am) if more  
7 than 75% of the lender's interest in the loan is sold to a 3rd party who is not a person  
8 related to the lender and the escrow funds are held by the 3rd party.

