



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2015 Wisconsin Act 54
[2015 Assembly Bill 24]

Variable Rate Loans

PRIOR LAW

A variable rate loan is a residential mortgage loan or manufactured home transaction that permits the interest rate to be increased or decreased by the lender, generally based on the fluctuations of an approved index. An approved index is either a certain specified index, such as the London Interbank Offered Rate (LIBOR), or another index that is readily verifiable by borrowers and approved by the Department of Financial Institutions. Issuers of variable rate loans, or lenders, may adjust the interest rates to correspond with increases and decreases in the approved index associated with the loan. A lender may decrease or decline to increase an interest rate without regard to the change in an approved index. A lender may also decline to decrease the interest rate associated with a variable rate loan if it offsets prior interest rate increases associated with an approved index that were declined by the lender. Interest rate decreases in variable rate loans may only be limited if interest rate increases are limited at least to the same extent.

2015 WISCONSIN ACT 54

The Act permits a lender who makes variable rate loans to offer a discounted initial interest rate. The requirements relating to the interest rate changes of the approved index do not apply during the initial interest rate period. Upon expiration of the initial interest rate period, increases and decreases in interest rates associated with the variable rate loan must comply with provisions regarding changes in the relevant approved index. The Act also eliminates the provision that interest rate decreases in variable loans may only be limited if interest rate increases are limited at least to the same extent.

Effective date: Act 54 took effect on July 1, 2015.

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DWS:mcm;ty

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.wisconsin.gov>.