

Chapter S-L 8

INTEREST RATES AND INTEREST ADJUSTMENTS

S-L 8.01	Maximum interest rates	S-L 8.07	Approval of indexes used for variable rate loans under s. 138.056, Stats.
S-L 8.03	Notice of interest adjustments under escalator clauses		
S-L 8.05	Approval of indexes used in variable rate contracts		

Note: Chapter S-L 8 as it existed on February 28, 1977 was repealed and a new chapter S-L 8 was created, effective March 1, 1977.

S-L 8.01 Maximum interest rates. The interest rates to be charged by an association shall be determined by the association but may not exceed those permitted by statute.

History: Cr. Register, February, 1977, No. 254, eff. 3-1-77.

S-L 8.03 Notice of interest adjustments under escalator clauses. (1) SERVICE AND CONTENT. If a mortgage loan is secured by owner occupied residential property containing not more than 4 dwelling units, an association may not increase the interest rate on the loan during its term unless written notice of such increase has been given to the borrower at least 4 months before the effective date of such increase. The notice shall be mailed to the borrower at his or her last known post office address and shall clearly and concisely disclose:

- (a) The effective date of the interest rate increase;
- (b) The increased interest rate and the extent to which the increased rate will exceed the interest rate in effect immediately before the increase;
- (c) The amount of the borrower's contractual monthly principal and interest payment before and after the effective date of the increase;
- (d) Any right of the borrower to voluntarily increase his or her contractual principal and interest payment;
- (e) Whether as a result of the increase a lump sum payment may be necessary at the end of the loan term;
- (f) Whether an additional number of monthly payments may be required; and
- (g) The borrower's right to prepay within 4 months without a prepayment charge.

(2) EXCEPTIONS. This section does not apply to:

- (a) Any loan or forbearance to a corporation.
- (b) Any interest rate increase made under the terms of a note permitting interest rate increases to be made in accordance with an index agreed upon between the borrower and the association, provided the index has been approved under s. 138.055 (4) of the statutes.

S-L 8

(c) Any interest rate increase occurring as a direct consequence of an act or omission of the borrower.

(d) A mortgage loan, made, refinanced, renewed, extended or modified on or after November 1, 1981.

History: Cr. Register, February, 1977, No. 254, eff. 3-1-77; am. (2)(b), Register, June, 1977, No. 258, eff. 7-1-77; cr. (2) (d), Register, April, 1982, No. 316, eff. 5-1-82.

S-L 8.05 Approval of indexes used in variable rate contracts. Each index used by an association in connection with a variable rate contract and requiring the approval of the commissioner under s. 138.055 of the statutes must be approved in writing.

History: Cr. Register, February, 1977, No. 254, eff. 3-1-77.

S-L 8.07 Approval of indexes used for variable rate loans under s. 138.056, Stats. (1) Except as provided in sub. (2), each index used by an association for a variable rate loan under s. 138.056, Stats. which requires the approval of the commissioner under s. 138.056 (1) (a) 4, Stats. must be approved in writing.

(2) Under s. 138.056 (1) (a) 4, Stats., the following indexes are determined to be readily verifiable by borrowers and beyond the control of an individual lender and are hereby approved for use in variable rate loans under s. 138.056, Stats.:

(a) The "prime rate" of interest which is published in the "money rates" column of the Wall Street Journal, midwestern edition.

(b) The "seventh district monthly average cost of funds" reported in the "Index Report", the monthly publication of the Federal Home Loan Bank of Chicago.

(c) The "national monthly median cost of funds for FSLIC-insured institutions" reported in the "Index Report" identified in par. (b).

(d) The "national average mortgage contract interest rate" on conventional mortgage loans closed for purchasing previously occupied single-family homes by all major lenders, reported in the "Index Report" identified in par. (b).

(e) The weekly average yield on U.S. treasury securities adjusted to a constant maturity of 1, 2, 3 or 5 years reported in the "Federal Reserve Statistical Release", a weekly publication of the Federal Reserve Board.

History: Cr. Register, September, 1987, No. 381, eff. 10-1-87.