

WISCONSIN HIGH-COST RECAP

What loans are subject to rule:

Consumer purpose loans to an individual that will be secured by the borrower's principal dwelling. This rule does not apply to a depository institution.

Fees included:

APR fees payable to the creditor, mortgage broker, and/or affiliates.

Points and fees exclude reasonable fees paid to affiliates or nonaffiliates of the lender for bona fide services listed in 12 CFR 226.4 (c) (7).

Loans with points and fees exceeding 6% of total loan amount are considered covered (high-cost) loans.

APR threshold test:

N/A

Additional limitations:

- No Advance Payments – may not include terms under which more than 2 periodic payments required under the loan are consolidated and paid in advance from the loan proceeds provided to the consumer.
- Payments to Contractors prohibited under home improvement, unless payable to borrower or jointly (borrower and contractor); or with the borrower's consent, by a 3rd party escrow agent per agreement between borrower, lender and contractor.
- Single Premium Credit Insurance may not be financed
- No Balloon Payments unless loan has a maturity of less than 1 year if the purpose of the loan is a bridge loan connected with the acquisition or construction of a dwelling intended to become the borrower's principal dwelling.
- No Negative Amortization
- No Default Interest Rate
- No loan acceleration provision (except via fraud, default, or other action/inaction that adversely affects collateral or right of the lender in that security).
- No Prepayment penalty ever on ARM loans or fixed rate loans of \$25k or less. Otherwise, only allowed after 36 months, and before then, it is limited.
- No covered loan may be made without regard to the customer's ability to repay.
- Covered loan may not refinance an existing covered loan with same lender and same customer unless the refinancing takes place at least one year after the previous loan's closing date, excluding bridge loans.

- Covered loan may not knowingly replace or consolidate a subsidized low-rate loan made by a governmental or nonprofit lender with a covered loan within the first 10 years of the original loan unless the current lienholder consents in writing to the refinancing.

Disclosures required:

At least 3 business days before making a covered loan to a customer, a lender will need to provide the high-cost disclosure to the borrower. This is Doc ID 5626 in PPDocs, Inc.'s document library.

A lender may not include a prepayment penalty in a covered loan unless the lender offers the customer the option of choosing a loan product without a prepayment penalty. The Loan Product Choice Disclosure is Doc ID 5959 in PPDocs, Inc.'s document library.

Underlying Regulation:

Wisconsin Responsible High-Cost Mortgage Lending: [Wis Stats. 428.202 et seq.](#)

[https://docs.legis.wisconsin.gov/statutes/statutes/428/ii/202#:~:text=\(1\)%20A%20customer%20may%20p repay,held%20by%20the%20refinancing%20lender.](https://docs.legis.wisconsin.gov/statutes/statutes/428/ii/202#:~:text=(1)%20A%20customer%20may%20p repay,held%20by%20the%20refinancing%20lender.)

Wisconsin Responsible High Cost Mortgage Lending, Administrative Code: [Chapter DFI-Bkg 46](#)

https://docs.legis.wisconsin.gov/code/admin_code/dfi/dfi_bkg/46