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State Senate Advances Foreclosure Reform Bill

Madison—Four bills authored by Representative Terry Katsma (R–Oostburg) passed in the Wisconsin State Senate on Tuesday including [Assembly Bill \(AB\) 720](#), a bill that shortens Wisconsin’s cumbersome residential foreclosure process to the benefit of neighborhoods across the state. All four bills have also passed in the Assembly and are now headed to Governor Scott Walker for signature into law.

“There has been a lot of misperception about how AB 720 will actually affect our neighborhoods,” said Rep. Katsma. “In almost every instance, this bill makes the foreclosure process go faster, not slower. Speeding up the process helps protect the properties themselves; it reduces the likelihood that houses will be left vacant or become safe havens for crime; and it helps preserve property values for neighbors.”

Under current law, even after a court issues a judgment of foreclosure against a homeowner, the homeowner is typically permitted to continue living in the house—without making any payments—for six to twelve more months until the lender is even allowed to repossess the property or resell it to a new owner. AB 720 shortens this period by half, but it also grants well-meaning homeowners an extension if they make a good-faith effort to resell the property and avoid repossession.

“The entire process can take 18-24 months or more under current law, which is much longer than it usually takes in other states,” explained Rep. Katsma. “That isn’t good for anyone involved—especially for neighbors and local governments who have to deal with the consequences of properties that may not be cared for properly during that period.”

Also under current law, if a foreclosed property is abandoned by its owner, the lender may repossess or resell the property in as little as five weeks. “In these cases, however, the law provides no time *limit* on how long a lender is allowed to wait to take action after five weeks have elapsed,” continued Rep. Katsma. AB 720 provides a time limit in the law that all banks will have to follow. This change helps ensure that lenders will follow through in a timely manner and bring ‘zombie properties’ back to the market.

“The discussions that I had with stakeholders over a period of months led to significant improvements to the original bill,” said Rep. Katsma. “The [amendment](#) adopted in both the Assembly and Senate addressed several concerns raised in these conversations. Perhaps most



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important of all, the bill preserves local governments' power to confront 'zombie property' situations effectively and compel action after a specified time."

Three other bills authored by Rep. Katsma also passed in the Senate on Tuesday. [AB 602](#) adds Christian Schools International and the Association of Christian Schools International to the list of approved accrediting agencies that may qualify Wisconsin private schools to participate in the state's parental choice and special needs scholarship programs. "AB 602 doesn't expand school choice, but it does cut unnecessary red tape for schools that already qualify to participate," said Rep. Katsma.

[AB 721](#) enables the state to redeem abandoned U.S. savings bonds if their rightful owners fail to claim them. "Rightful owners are always able to claim their property at any time, but right now, the Department of Revenue is the custodian of hundreds of thousands of dollars in bonds that no one has claimed," said Rep. Katsma. "This bill allows that money to be deposited in the common school fund and used to benefit our communities until the owners or their heirs come forward."

[AB 760](#) helps the state recover legal costs from individuals convicted of violating consumer protection statutes. "Statute has not kept up with the times," said Rep. Katsma. "I couldn't believe it when I learned that people who violate relatively new regulations about entities such as rental vehicles, self-service storage facilities and timeshares cannot be ordered to pay the state's investigative costs. It is much more appropriate for a court to have the authority to make a guilty person pay than it is to make honest taxpayers foot the bill."

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Representative Terry Katsma represents the 26th Assembly District including the cities of Sheboygan and Sheboygan Falls; the villages of Adell, Oostburg, Random Lake and Cedar Grove; and the towns of Lima, Holland, Sherman and Wilson. He serves as the Vice-Chair of the Committee on Financial Institutions and as a member of the committees on Consumer Protection, Housing and Real Estate, Ways and Means and Workforce Development.