



## 2007 ASSEMBLY BILL 4

January 12, 2007 - Introduced by Representatives SCHNEIDER and VRUWINK.  
Referred to Committee on Financial Institutions.

- 1     **AN ACT** *to amend* 138.09 (1m) (a) and 422.201 (3); and *to create* 138.14 of the  
2     statutes; **relating to:** finance charges for payday loans.

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### *Analysis by the Legislative Reference Bureau*

Under current law, a lender other than a bank, savings bank, savings and loan association, or credit union generally must obtain a license from the Division of Banking in the Department of Financial Institutions (division) to assess a finance charge greater than 18 percent per year. This type of lender is generally referred to as a "licensed lender." With certain limited exceptions, current law provides no maximum finance charge for a loan entered into by a licensed lender.

Currently, a lender who makes payday loans is typically required to be a licensed lender. In a standard payday loan transaction, the lender accepts a personal check from the borrower, pays the borrower the amount of the check less any applicable finance charge, and agrees to wait a short time, such as two weeks, before depositing the check. Current law does not specifically regulate payday loan transactions.

This bill creates a maximum finance charge for payday loans. Under the bill, a lender, other than a bank, savings bank, savings and loan association, or credit union, who makes payday loans in the regular course of business, which the bill defines as a "payday loan provider," may not assess a finance charge that exceeds 2 percent per month. In addition, a payday loan provider must obtain the license described above. Also, the bill requires the division to enforce the bill's prohibition.

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For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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

1           **SECTION 1.** 138.09 (1m) (a) of the statutes is amended to read:

2           138.09 **(1m)** (a) Before any person may do business under this section or charge  
3 the interest authorized by sub. (7) and before any creditor other than a bank, savings  
4 bank, savings and loan association or credit union may assess a finance charge on  
5 a consumer loan in excess of 18% per year or assess a finance charge subject to s.  
6 138.14, that person shall first obtain a license from the division. Applications for a  
7 license shall be in writing and upon forms provided for this purpose by the division.  
8 An applicant at the time of making an application shall pay to the division a  
9 nonrefundable \$300 fee for investigating the application and a \$500 annual license  
10 fee for the period terminating on the last day of the current calendar year. If the cost  
11 of the investigation exceeds \$300, the applicant shall upon demand of the division  
12 pay to the division the amount by which the cost of the investigation exceeds the  
13 nonrefundable fee.

14           **SECTION 2.** 138.14 of the statutes is created to read:

15           **138.14 Payday loan providers. (1) DEFINITIONS.** In this section:

16           (a) “Check” has the meaning given in s. 403.104 (6).

17           (b) “Payday loan” means any of the following:

18           1. A transaction between a person and the issuer of a check in which the person  
19 agrees to accept a check from the issuer, hold the check for a period of time before  
20 negotiating or presenting the check for payment, and pay to the issuer, upon  
21 accepting the check, the amount of the check less any finance charge.

