SB94

Favor - Sen. Robson

- Fitzgerald opposed -

Dave Johnson - CCCS AGAINST
- not mandatory
- Fair share amounts - they make $ from PayDay Loans

Phyllis Blum - Favor

Help her get GED | Call her w/ number. | Dave Johnson's 825-3331

Beverly Crans Favor
TRICO Credit Union

Stephen Schaller -
John Rabenold -
against
Federal laws preempt all
state laws - not true
correct?

Connie Kilmark
provides counseling ~~F~~favor

Mary Fons - State Bar
Public Interest Law Section
favor

Jim Douglas
WI Deferred Deposit
Assn

Steve Meili

times take payday loan

8-10 ~~[illegible]~~ times a year for typical pay day loan consumer

Cole Heller - against

Georgia Maxwell - Credit Union Associations

Pat Lessie - against

State License — fed instits instead

Senate

Record of Committee Proceedings

Committee on Privacy, Electronic Commerce and Financial Institutions

Senate Bill 96

Relating to: maximum interest rates.

By Senators Robson, Burke, Welch, Drzewiecki, Decker, Moore, Rosenzweig, Grobschmidt, Wirch and Baumgart; cosponsored by Representatives Grothman, Ladwig, Musser, Seratti, Schooff, Pocan, Bock, Coggs, Riley, Cullen, Colon, Travis, Young, La Fave, Sinicki, Wasserman, Black, J. Lehman, Berceau, Miller, Lassa, Williams, Gronemus and Boyle.

March 23, 1999 — Referred to committee on Privacy, Electronic Commerce and Financial Institutions.

November 17, 1999 — **PUBLIC HEARING HELD**

Present:	(3)	Senators Erpenbach, Plache and Fitzgerald.
Absent:	(2)	Senators Jauch and Rude.

Appearances for
- Senator Judy Robson
- Phyllis Blum, Cottage Grove
- Connie Kilmark, Kilmark & Assoc
- Mary Fons, State Bar of WI, Public Interest Law Section
- Tom, Video Testimony
- Stephen Meili, Center for Public Representation
- Beverly Crans, Janesville
- Garfield Stock, AARP
- Tom Barnes, First American Credit Union
- J. Nels Bjorkquist, Associated Students of Madison
- Leonard Lee, Self
- Kerry Schumann, WISPIRG

Appearances against
- Dave Johnson, CCCS of Madison
- Stephen Schaller, Wisconsin Deferred Deposit Assn.
- John Rabenold, Check 'N Go of Wisconsin
- Jim Douglas, WI Deferred Deposit Association
- Vicki Gamroth, Check Advance
- Cole Hiller, self
- Patrick Essie, WI Deferred Deposit Assoc.

Appearances for Information Only

- Jim Jeffyies, WI Department of Justice
- Georgia Maxwell, WI Credit Union League

Registrations for

- Senator Brian Burke
- Ellen Rabenhorst, Madison
- Joanne Ricca, WI AFLCIO
- Rev. Sue Larson, Madison WI
- Cory Mason, State Bar of WI, Public Interest Section
- Jim Lake, Madison
- Henry Hendrickson, AARP
- Donald Happ, Madison
- Mathew Wylie, Madison
- Kathy Markeland, WI Catholic Conference

Registrations against

- Holly M Jones, Madison Cash Express
- Elisha Vandewalle, Madison
- Michelle Mrozinski, Madison Cash Express
- Jeff Horihon, Onalaska
- Jerry Schwonek, Check Advance of WI
- John F Currence, Check Cash Advance of WI, Inc
- Linda Beggs, CNG Financial
- Doris Douglas, Check 'N Go
- Mark Cooke, CNG Financial
- Holly Small, CNG Financial
- Candy Green, Check Into Cash & CFSA
- Phyllis LaHaye, Check Into Cash
- Sarah Davidson, Check Into Cash
- Cindy Jenkins, Check Advance, WDDA
- Joel Harding, Check Into Cash
- Dean Ketterman, Check Into Cash

Julie A Laundrie
Committee Clerk

Center for Public
Representation, Inc.

P.O. Box 260049 Madison, WI 53726-0049 608/251-4008 FAX: 608/251-1263 CPR@vms2.macc.wisc.edu

TESTIMONY IN SUPPORT OF S.B. 96

BEFORE THE SENATE COMMITTEE ON PRIVACY, ELECTRONIC COMMERCE, AND FINANCIAL INSTITUTIONS

November 17, 1999

My name is Stephen Meili. I am Director of the Consumer Law Clinic at the Center for Public Representation, a non-profit public interest law firm that advocates on behalf of consumers and other under-represented groups in Wisconsin. The Center strongly supports Senate Bill 96, legislation that would cap interest rates on payday loans at thirty-six percent. The Center first became aware of the many problems associated with the payday lending industry when consumers contacted us seeking help in dealing with numerous payday loans that had driven them deep into debt. Since then, we have worked with a wide variety of organizations and individuals throughout Wisconsin in an effort to craft modest but meaningful legislation that would address the most significant problems associated with payday lending. We believe SB-96 achieves that goal.

Payday loans are small, short-term loans, typically between $100 to $300, which are issued by a payday lender to consumers. In a typical payday loan transaction a customer writes a post-dated check payable to the payday lender, who then issues a cash loan for the amount of the check, minus the lender's fee. The loan is due on the date that appears on the post-dated check, usually about two weeks later. For example, if a customer wishes to borrow $300 today, she would write a check for $360 and date it December 1 – the date that is two weeks from today. The customer receives $300 in cash today while the lender retains a $60 fee and promises not to deposit the customer's check until December 1. The fees charged by payday lenders for this service translate into annual interest rates that would make a loan shark blush. Interest rates upwards of five hundred percent are common, and for customers using social security checks as collateral the interest rate may be up to one thousand percent.

But the problems don't end there. If a customer can not pay the loan in full when it comes due, she must refinance one payday loan with another and begin the downward spiral into ever-increasing debt. This practice of rolling over loans sees the consumer paying hefty fees every two weeks, while receiving no new principal from the lender. In this way consumers can find that in a matter of weeks or months the fees they have paid outstrip the amount of principal they received through the loan in the first place. It is a process that in practice, if not by design, consigns many consumers to a state of perpetual indebtedness.

In addition, payday lenders frequently pursue their customers in court. Our experience with payday loan customers is replete with instances in which lenders have threatened to pursue civil or criminal charges as soon as a customer informs them that they are unable to repay the loan on the due date and are also unwilling to continue rolling over the loan. Thousands of Wisconsin consumes have been sued by payday lenders.

The payday industry has grown exponentially throughout Wisconsin in the last decade, partly because Wisconsin has eliminated nearly all caps on interest rates over the past decade or so. In 1993 there was only one payday lender in Wisconsin. Today there are approximately two hundred such loan outlets. The industry's growth is not just an urban phenomenon. Payday lenders exist in about fifty small towns and cities in Wisconsin. In 1998 alone, the payday industry issued over 600,000 payday loans to Wisconsin consumers, generating a total income of over $40 million for the industry. Moreover, payday lenders operating in Wisconsin are typically headquartered outside the state, which is precisely where the bulk of their profits end up.

The growth of payday lending in Wisconsin is mirrored throughout the country. In 1992 only three hundred payday lending outlets existed nationwide, while today the number of outlets making loans exceeds six thousand.

Payday loans have become such a remarkably profitable enterprise because, contrary to the industry's characterization, they are not typically a one-time service provided to consumers in a momentary bind. Rather, as the Consumer Federation of America reports, the average payday customer makes eight to eleven payday loans per year, either rolling over a prior loan or taking out a new loan.

As payday numbers have grown, so has the awareness of the harm they cause consumers. If Wisconsin enacts SB-96, it will join nineteen other states and two territories which limit interest rates for small loans. These state small loan interest rate caps range from a low of twenty-four percent to a high of fifty-seven percent. For instance, Vermont's cap is twenty-four percent, while New York and Michigan fix their limits at 25 percent. New Jersey, North Dakota and Maine each have a thirty percent cap, while Alabama, Arizona, Rhode Island and Virginia impose a 36 percent cap on small loan interest rates.

Contrary to industry claims, the exorbitant fees charged by payday lenders are not justified by the credit risks posed by their customers. Payday loan customers, per industry lending requirements, have both a steady income and a checking account. Furthermore, according to Stephens Inc., an investment company in Little Rock, Arkansas, only eight percent of payday loan industry revenues are written off as bad debt. By comparison, in 1996 national credit card issuers charged-off between five and six percent of credit card debt. While these charge-off figures are similar, the interest rates imposed on customers by the respective industries are decidedly different. The rates charged by credit card issuers do not even begin to approach the astronomical triple or even quadruple digit interest rates typically charged by payday lenders.

A thirty-six percent small loan interest rate cap strikes a fair and equitable balance between the interests of payday lenders and consumers. In this way, it is consistent with statutes such as the Wisconsin Consumer Act, which strikes a balance between creditors and consumers. It ensures that vulnerable, economically distressed consumers are not exploited by outrageous fees. Simultaneously, it allows payday lenders to continue to do business in Wisconsin and permits them to charge interest rates still significantly higher than those of traditional financial institutions like banks and credit unions. In addition, it should not go unnoticed that there is precedent in Wisconsin for imposing an interest rate cap on small loans typically marketed to consumers in financial distress: There is currently a thirty-six percent annual interest rate cap on small loans made by pawnbrokers operating in Wisconsin.

Massive debt from payday loans can strike anyone, men and women, people of all ages and races, at any time. Payday lending is extracting a heavy toll on Wisconsin consumers. The Legislature needs to respond in an effective manner, not a merely symbolic one; and in a manner that is consistent with Wisconsin's legacy as a leader in consumer protection. We urge you to support SB-96 to protect Wisconsin consumers and to ensure that out-of-state businesses engage in fair business practices in our state.

States That Cap Small Loan Interest Rates

State	Small Loan Rate Cap	Statute
Alabama	36.00%	AL Stat. 5-18-2, 5-18-15
Alaska	36.00%	AK Stat. 06.20.230
Arizona	36.00%	AZ Stat. Ann. 6-632
Arkansas	17.00%	AR Const, Art. 19, s. 13
Connecticut	17.00%	CT Stat. 36a-563; CT Stat. 36a-585; CT Adm. Code 36a-585-1; $17/$100/yr. (up to $600)
Georgia	10.00%	GA Stat. Ann. 7-3-14; GA Stat. Ann. 7-1-706; greater of 10% or $5 check cashing fee
Hawaii	24.00%	HI Stat. Ann. 412:9-302
Indiana	36.00%	Ind. Code s. 24-4.5-3-501 et seq; 36.00%/yr or $33
Maine	30.00%	9-A M.R.S.A. s. 2-301
Maryland	33.00%	MD Comm. Law 12-306
Massachusetts	23.00%	MA Gen. Laws Ann. Ch 140 s. 96 et seq; $23.00% + $20 administrative fee
Michigan	25.00%	MI Comp. Laws Ann. 493.13; 445.1854
New Hampshire	24.00%	NH Stat. Ann. 399-A:3
Pennsylvania	9.50%	7 PA Stat. Ann. s. 6214; s. 6213; $9.50/$100/yr.
Puerto Rico	25.00%	PR Laws Ann. S. 10-942 et seq
Rhode Island	36.00%	Gen. Laws of RI Ann. s. 19-14.2-8
Texas	18.00%	TX Fin. Code s. 1.101 et seq; $18/$100/yr. or sliding scale
Vermont	24.00%	8 VT Stat. Ann. s. 2230; 9 VT Stat. Ann. s. 41a
Virginia	36.00%	Code of VA 6.1-272.1
Virgin Islands	26.00%	VI Code Ann. Title 9 s. 182 et seq
West Virginia	31.00%	WV Code 46A-4-107

TOTAL STATES	21
AVERAGE	26.31%

Rule will force responsibility in lending

GUEST COLUMN

By Kerry Schumann and Steve Meili

A few years ago, Wisconsin eliminated its 18 percent usury cap on interest rates. We are now seeing one of the most unfortunate results of that policy: the proliferation of "payday loan" stores throughout the state.

In recent years payday lenders have become increasingly predatory on Wisconsin consumers.

Most people are probably familiar with payday lenders. Their advertisements on TV and fliers in grocery stores promise quick and easy cash. But as more and more of these storefront cash stores pop up around Wisconsin, we are realizing that their promises of quick and easy cash actually come at a great expense to consumers.

How do payday loans work?

For a loan of $300, the consumer writes a post-dated check for around $360. The consumer then receives $300 in cash, and the lender keeps the $60 as a finance charge. The lender holds the check until the date indicated, usually about two weeks in the future. For that $300 loan, the customer has just paid an annual interest rate of more than 500 percent.

It gets worse. Frequently customers don't have enough money in their checking account to cover the amount of the loan when it comes due. At that point the lender will allow them to roll over the loan for an additional two weeks and pay another $60 in fees. The $300 loan has now cost the consumer $120. Unfortunately, it is not uncommon for borrowers to pay hundreds of dollars more in interest than they got as a loan, and many consumers even end up in bankruptcy.

The payday loan industry is growing rapidly in Wisconsin. In 1993, only one payday lender operated in Wisconsin. Now there are about 200 payday loan branches throughout the state. There are payday lenders in urban, rural and suburban areas, and their level of advertising has increased dramatically in recent years. In 1998 alone, the payday industry issued more than 600,000 loans in Wisconsin, generating income of more than $40 million for the industry.

Part of the reason for this sudden growth is because of the lack of regulation in Wisconsin. More than 20 other states around the country regulate the interest rates payday lenders can charge.

Today the state Senate Financial Institutions Committee will conduct a public hearing on Senate Bill 96, Sen. Judy Robson's proposal to regulate the payday loan industry.

SB 96 would put a cap on the amount of interest payday lenders can charge their customers, limiting rates to an annual rate of 36 percent. The interest rate cap would force the industry to act responsibly and would protect consumers from an outrageous rip-off. While 36 percent is far more than most conventional lenders charge, it is much less than the 500 percent rates charged by payday lenders. It is also the same rate at which pawn shops are regulated.

As consumers, we all have a stake in this issue. Call your state senator and ask for support of SB 96. We encourage Sen. Jon Erpenbach, D-Middleton, chairman of the Financial Institutions Committee, and other members of the committee to put a stop to this consumer rip-off.

Schumann is director of the Wisconsin Public Interest Resource Group, Madison, and Meili is director of the Consumer Law Clinic of the Center for Public Representation, Madison.

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EDITORIALS

Costly payday loans need legislative limit

Those companies that offer "fast cash" aren't too particular about their customers. All you need is the promise of a paycheck and the ability to sign your name. It helps if you ignore the fine print.

The so-called payday loan companies work like this: A customer expecting a paycheck for, say, $250 writes a personal check to the loan company for that amount. The company gives the customer $200 but holds the check until payday. At that time, the customer is expected to deposit the paycheck, thereby covering the debt. The extra $50 is the company's profit.

Simple mathematics tells you the company makes a quick $50 on a $200 investment. That's an outrageous profit. Unfortunately, people with poor credit ratings can't shop for better deals. And it is people who struggle to make ends meet who fall prey to payday loan companies and then end up in deep financial trouble.

These business practices might not be so appalling if the loan was paid back after the first few weeks. But the customer who needs the full amount of that paycheck to meet other obligations usually asks for more time to pay off the original loan. No problem, the company says, but that will cost ya.

As the interest piles up, these consumers dig themselves deeper and deeper into debt. When and if the person ever pays off the loan, the interest far exceeds the $200 doled out in the first place. In fact, state officials say, the annual percentage rate of these loans is typically 500 percent. Want another math problem? Figure out what these companies made in 1997, when they loaned Wisconsinites $73.9 million.

State Sen. Judy Robson has proposed legislation that would limit the amount of interest that payday loan companies could charge. The bill, which has bipartisan support in both the Senate and Assembly, isn't aimed at putting these enterprises out of business. The companies do, after all, provide a service to people who otherwise would not be able to get credit. But by capping the annual interest at 26 percent, the law protects those least able to handle exorbitant debts: people who live from paycheck to paycheck.

That 26 percent will still allow lenders to make a tidy profit, and it is actually quite generous. Some states limit payday loan interest to only 9.5 percent a year.

Robson's bill is worthwhile and overdue. We urge lawmakers to approve it and Gov. Tommy Thompson to sign it before more desperate people are victimized by unscrupulous lenders.

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RACINE, WISCONSIN — SUNDAY, AUGUST 15, 1999 — HOME DELIVERY: 634-3333

Focus: Finance

Legal Loan Sharks

Racine's payday loan stores offer quick money — at a cost

BY ROB GOLUB
Journal Times

RACINE COUNTY — J. Michael Barluado walks out of a check-cashing storefront with his 8-month-old son cradled in an arm and a wad of cash in hand.

But he's not really any richer for it. In fact, he's losing money. He's been losing money for months.

It's a problem that even those in the payday-loan business admit to. Is there a need for their high-interest, two-week loans? Yes. Can people get hurt? Yes.

Barluado's original moment of need for a quick fix has turned into months. He continues to borrow with each paycheck, because he can't afford to pay down his entire

Bush n... case fo... nomina...

BY DAN BALZ and DAVID S. BRODER
Washington Post

AMES, Iowa — Texas Gov. George W. Bush cemented his front-runner status in the Republican presidential racy by winning the Iowa straw poll here Saturday night, but only after fending off a challenge from magazine publisher Steve Forbes, who finished second.

In the largest turnout ever at this quadrennial event, Bush won 31 percent to Forbes's 21 percent. Elizabeth Dole finished third with 14 percent and Gary Bauer was fourth with 9 percent. The order of finish in the rest of the field was Patrick J. Buchanan, fifth; Lamar Alexander, sixth; Alan Keyes, seventh; Dan Quayle, eighth and Orrin Hatch, ninth.

Bush victory demonstrated his ability to convert some of his poll support into actual votes against a big field of opponents. But the fact that seven out of 10 Iowa Republicans chose another candidate made it less than a ...

borrow with each paycheck, because he can't afford to pay down his entire debt. Finances have forced the television lighting technician to move from Racine to Waukegan, to live with his mother. On his way to and from work at a Milwaukee television station, he stops in Racine to pay his debts at two different payday-loan outlets.

These debts, he said, "pretty much set me back, but at the time when I needed it, it helped me out."

Racine County has several of these check-cashing, payday-loan storefronts. Three of the four biggest national chains are represented on Highway 20: Check Into Cash, 4901 Washington Ave.; Check 'N Go, 6100 Washington Ave.; and National Cash Advance, 5110 Washington Ave.

Here's how it usually works. Write the payday-loan establishment a personal check and you can have cash for it today, even if your bank account is running low. The payday-loan place won't cash it for days or weeks, while you wait for your next paycheck.

There are other variations, but all methods

▶ More on **LOANS**, Page 11A

Banks often reject high-risk customers

BY ROB GOLUB
Journal Times

RACINE COUNTY — Why hit a "legal loan shark" when a bank or credit union might do the trick?

A national trend against usury laws has swept Wisconsin's old interest-rate caps aside and payday loan firms have flourished here in recent years. Some payday loan companies charge fees that are the equivalent of annualized interest rates in excess of 1000 percent.

"Our highest rate is 12.9 percent — that's annual," said Ray Meythaler, president of Horizon Credit Union, 1931 Grove Ave. "We would encourage anybody who is using that type of service to at least apply for a loan here."

But a prospective borrower could be rejected

▶ More on **BANKS**, Page 11A

opponents. But the fact that seven out of 10 Iowa Republicans chose another candidate made it less than a ringing endorsement.

Forbes tried to use the straw vote to move the nomination battle toward a one-on-one contest with Bush. But Dole, Bauer and Patrick Buchanan

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Hundreds attend a meeting with University of Wisconsin-Parkside U

The quest the answe

Seniors learn why Medicare supplement is disappearing

BY DAVID STEINKRAUS
Jour[redacted]

KENOSHA — Hundreds of senior citizens upset over the pending loss of

LOANS / For those who need 'quick fix'

From Page 1A

generally involve a short-term loan for a fee of around 20 percent. Annualized, fees can translate into an interest rate of 500 percent or more.

"They have very high interest," notes Ron Moser, program director for Consumer Credit Counseling Service, 420 Seventh St. "It's not for the type of person who looks at supplementing their income on a regular basis. It'll kill you."

But Moser acknowledges that payday-loan places provide a needed service and that people have the choice not to use them. "This is an ideal type of loan for someone who needs a quick fix," he said.

The Consumer Federation of America, based in Washington, D.C., has issued a report on payday loan companies. It considers their practices "legal loan sharking."

The report charges, "It is not unusual for borrowers to become mired in debt and renew cash advance loans every week or two. A consumer paying off a loan of $100 to $300 plus the $15 to $45 fee within a few days often finds it difficult to make it to the next payday without having to borrow again."

Nineteen states have hobbled payday loan firms with interest rate caps or outright prohibitions. Twenty-three states have decided to permit the short-term lenders. "In most cases, they were being lobbied heavily by the industry," said Jean Ann Fox, director of consumer protection for the federation.

Wisconsin is part of a small group of seven states that haven't seemed to pass any significant legislation on the issue, Fox said. Payday loan firms may charge any interest rate they wish, said Jean Plale, a director of licensed financial services with the state.

There were 17 payday loan outlets in Wisconsin in 1995. Today, there are 188.

State Sen. Judy Robson, D-Beloit, has authored a bill to cap payday loan interest rates at 26 percent. It could effectively put the firms out of business. Rep. Bonnie Ladwig, R-Mount Pleasant, is co-sponsoring the bill in the State Assembly.

"It's going to be an uphill battle" against the industry, Robson forewarned. "They'll hire very good lobbyists in Wisconsin. They'll twist arms."

JIM SLOSIAREK *Journal Times*

A customer does business at the Check into Cash counter at Westgate Mall Friday in Racine.

Robson feels payday lenders prey on people who are not very sophisticated financially.

"It's not low-income people by any means," said Sandra Rowland, a spokesperson for Tennessee-based Check Into Cash. She says the industry's average customer earns over $30,000. "Our customers are your average, everyday person."

She agrees that falling into a cycle of debt is a danger, but she claims her customers visit two or three times per year, not every couple of weeks.

"We just don't let people do that," she said. "We train our people not to let people become dependent."

But a loan of $300 at Check Into Cash costs $66 — and you've got 16 days or until your next payday to pay the $300 back. Curt Sawchuk, a regular Check Into Cash customer, said he sees how someone could get hurt.

"I use it pretty frequently. I don't do it irresponsibly," said Sawchuk, of Union Grove. "It's easy to run low on cash. I've been using (Check Into Cash) a little bit more lately, because of the festivals."

Rowland has a scenario for using Check Into Cash sensibly. Say your car breaks down and you need $200 for the mechanic. You have no credit cards and you don't have $200 in the bank. If you write and bounce a $200 check, you could see insufficient funds fees in excess of what Check Into Cash charges.

"It's strictly short-term. It's not designed for anything other than that," she said.

Just this year, the nation's largest payday lenders joined forces to found the Community Financial Services Association of America, "to ensure continued consumer confidence."

Position papers published by the association seek to nip any opposition in the bud. The group promotes a list of self-imposed commandments, including "full disclosure of transaction terms," "encourage and promote consumer responsibility," "appropriate collection practices," and "no criminal action against customers." (A check bounced to a payday loan firm might open a borrower up to criminal prosecution.)

But Neal Kueny, a counselor with Family Service of Racine, suggests everyone stay away from payday lenders. "They're charging you an exorbitant rate," he said. "I don't want to come right out and say they're evil, but they're pretty darn close."

BANKS

From Page 1A

for poor credit, which is why many people use payday loan firms. Banks and credit unions just don't cater to high-risk customers.

"It's probably the fact that financial institutions may not be willing to take the risk," Meythaler said.

It's a misnomer that one financial institution is willing or able to serve all needs of all people, said Michael Krueger, vice-president of retail sales for Johnson Bank. Banks have their niche, he said, and they need to protect the integrity of the deposits they maintain by keeping risk low.

As for payday lenders, he said, "personally, I don't think they're a good thing."

He added, "There's a certain degree of, almost, exploitation."

The New York Times

FRIDAY, JUNE 18, 1999

Payday Loans Drawing Many Into a World of Onerous Fees

By PETER T. KILBORN

KOKOMO, Ind., June 16 — A year and a half ago, Doris Rude, a taxi driver who is partly disabled by a herniated disc, was living at the edge of her income of $300 a week and had just $5 in the bank. Then she received a $1,900 hospital bill. With poor credit and no money, she turned in desperation to a new, fast-growing American institution: The payday loan company.

For a fee of $30, the company agreed to advance her a two-week loan of $100. To obtain the loan, she wrote the company a check for $130 that the lender agreed to hold until her next payday. With the $30 fee, the lender was charging her an annual interest rate that consumer advocates say is 780 percent.

But two weeks later, with no change in her living expenses, her check was sure to bounce. So the lender let Ms. Rude renew the loan for another two weeks, for another $30 fee.

Soon she was bounding from one payday lender to another, six in all, borrowing from the next to pay the accumulating fees of the others.

Ms. Rude had fallen into a trap that regulators worry is an increasingly common one, not just for lower-paid workers like Ms. Rude but for higher-salaried employees as well.

Payday lending companies are sprouting up all over the country, having increased to nearly 8,000 today from 300 seven years ago. Although this is most prosperous peacetime decade of the century, many workers have become trapped by debts run up in free spending or have been driven deeper into debt by misfortune. But these workers have the two basic things needed to obtain a payday loan: paychecks and checking accounts.

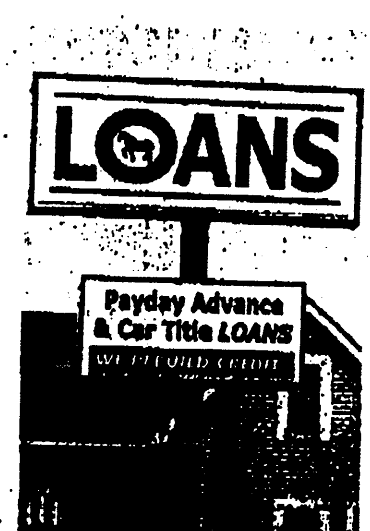
Although plentiful in big cities like New York and Los Angeles, the payday lenders have become most visible in places like Kokomo, Springfield, Ohio, Champaign-Urbana, Ill., and Cleveland, Tenn. Ten have opened in Kokomo's malls and in seedier stretches of this city of 45,000 people.

Bearing names like Check Into Cash, Check 'n Go and Fast Cash, payday lenders grant loans to workers against their next paychecks. In return, the companies charge a "fee," typically $15 to $35. At annual rates, the fees normally exceed 300 percent and 400 percent and in some cases they reach four digits.

At least a dozen national chains have sprung up. The biggest, Ace Cash Express in Irving, Tex., has around 900 stores and revenue last year — what it collected in loan fees — of $100 million, twice that of 1996. Check Into Cash, in Cleveland, Tenn., reported that its revenue had jumped to $21 million in the first six months of 1998 from $10 million three years ago and $1 million five years ago.

In much of the country, these

Continued on Page A20



Mary Ann Carter for The New York Times

Payday lending companies are opening up all over the country.

National Prosperity Is Being Mined With Payday-Lending Trap

Continued From Page A1

companies escape the routine scrutiny and regulation faced by banks, finance companies and pawn shops, because in some states they are too new to have stirred much controversy and in others they have used political clout to stave off legislation. As of late last year, the Consumer Federation of America reported that 19 states, including all of those in New England, as well as Pennsylvania, Virginia and Texas, prohibited payday lending, most by limiting annual, small-loan interest to less than 40 percent. But it said the 31 other states, including New York and New Jersey, condoned it by law or by the absence of law.

The lenders say they are providing a vital service. As commercial banks have shunned the poorest borrowers, in part by raising the minimum amounts they will lend, people who need small sums to get over a hump, like paying for a medical prescription or buying tires for a car, have few choices. These include people who are unable to get credit cards or who have charged or exceeded their cards' credit limits.

Industry leaders say comparing payday lenders' fees with annual interest rates is unfair because most of the loans are paid off within a month.

Consumer advocates consider the payday lenders' interest rates exorbitant. "I know of loan sharks in New York who wouldn't charge this kind of interest," said Gary L. Calhoun, a lawyer here who provides legal services for members of the United Automobile Workers.

Indiana State Representative Richard W. Bodiker, Democrat, whose bill this year to regulate the lenders fell to intense industry lobbying, calls the fees "in excess of what usury laws consider loan-sharking."

Robert C. Rochford, deputy counsel of the National Check Cashers Association, an industry trade group, called such accusations spurious. "Loan-sharking involves coercive tactics to collect the debt," Mr. Rochford said. "No major direct deposit provider has been convicted of that."

One reason for the lenders' growth is people's comfort with debt. The nation's savings rate, the percentage of people's disposable income that is saved, dropped to 0.5 percent last year and to nothing at all by earlier this year from 6 percent a decade ago. Rather than save, people are spending more than ever and borrowing more than ever.

"We know there's a pretty sizable group of folks whose credit cards are maxed out," said Mark B. Tarpey, a supervisor in the consumer finance division of the Indiana Department of Financial Institutions. With payday lenders around, Mr. Tarpey said, "they don't have to tell the boss they need a cash advance. They don't have to give up their TV's and furniture. They don't have to run a credit check."

Another reason is a level of unemployment, 4.2 percent, that economists used to call unattainable. To succeed, payday lenders need customers with bank accounts and regular checks, in particular paychecks, and these days, just about every able-bodied adult receives one.

Under such conditions, said Mr. Rochford, the deputy counsel for the check cashers' association, payday lenders' revenues will grow to $1.44 billion this year from $810 million last year.

Payday lending, Mr. Rochford said, "exists because there's a need for it." A short-term deferred deposit loan, the industry's preferred term, helps a worker through an emergency and is cheaper than bouncing a check. Most banks do not make loans for less than $1,000, he said, and pawning is embarrassing.

Borrowers like a payday loan, Mr. Rochford said, because "it is private," adding: "It is quick. And they do not need a lot of documentation." The fees cover loans that turn sour, he said, and the cost of employees to process loans.

Kokomo, about 50 miles north of Indianapolis, may be a case in point. A steel and asphalt city of immense new Daimler-Chrysler and Delphi-Delco automobile component factories, Kokomo is fertile terrain for payday lending.

Strapped by bad credit and unmanageable or unexpected expenses, people here used to go to pawn shops for loans. But of three pawn shops here two years ago, one has closed, and another, Bob's, passed up renewing its license this month. Now people go to the city's new payday lenders.

Unemployment, which has exceeded 20 percent in Kokomo in recessions, was just 1.4 percent in March, according to the latest survey by the Kelley School of Business at Indiana University. About 20,000 people, roughly 40 percent of the area work force, is employed by automotive companies. They earn $50,000 to $60,000 a year and are the new lenders' biggest customers.

The payday lenders here approve most loans within 10 minutes. "No Credit Check, Instant Approval," Easy Money's flyer promises. "The fastest way to payday," read the banners on the walls of Check 'n Go.

For this service, some states specify a maximum fee of $15 on a one- or two-week loan of $100 or $200. In Indiana the limit is $33. At $33, the annual rate on a two-week $100 loan is 858 percent.

And as borrowers amass loans, taking new ones to pay the fees on the others, the fastest way to payday becomes a fast way, too, to garnished wages and bankruptcy.

Kathy Jo King, 41, earns almost $60,000 a year as an assemby-line worker at the Daimler-Chrysler transmission plant. But she has no savings, in part because she is paying creditors $113 a week to work her way out of a bankruptcy that followed a serious automobile accident that left her husband partly disabled and both with high medical bills.

Then early last year, Ms. King and her husband and their boys, 18 and 11, had to move, incurring $1,500 in unexpected expenses. "I've got kids to feed," she said. "I had to go do something." With her credit in ruins, she could not go to a bank for a loan, so she went to payday lenders.

"We did several payday loans all at once," Ms. King said. "They make you feel real at ease about it." She started paying off the loans bit by bit but became saddled with $200 in fees alone every two weeks and could not keep up.

So one lender tried to redeem her last $380 check covering a loan of $300 and a fee of $30. She did not have money in the bank to cover the check and it bounced. The bank and the lender then charged her $80 in fees for a bad check.

Next, the lender sued, and Ms. King lost. The court awarded the lender triple damages — $990, or three times the amount of the check, plus $150 in lawyer fees and $60 for court costs. With the $80 for bouncing the check, Ms. King owes $1,280 on her original loan of $330.

Currently, about 100 payday lender suits against borrowers are on file in the Howard County Superior Court in Kokomo. Lenders here also send out letters threatening their customers with imprisonment for bouncing a loan check, although none is known to have tested the state penal code provision that they invoke in making the threat. Some lenders start taking legal action within a month to obtain unpaid loans while others try to w[…] longer with their customers to av[…] a lawsuit." David Hannum, coordi[…] tor of the Consumer Credit Coun[…] ling Service, said borrowers k[…] paying the fees, digging themsel[…] deeper into debt, out of fear t[…] lenders will otherwise try to rede[…] their checks when they do not ha[…] money in the bank to cover the[…] further tainting their credit rating[…]

The process becomes addictiv[…] "You go into one," Mr. Hannum sai[…] "Then you go to another to pay [...] the fees of the first. You end up wi[…] a whole string of them."

To tap into this market, Car[…] Brymner, 38, opened Quick Cash her[…] in September. She now has 350 cl[…] ents, most of whom return ever[…] week or two to have their loans r[…] newed or to pay them off, but the[…] they often take another a few day[…] later. She charges less than mo[…] lenders: $20 for a two-week $10[…] loan, for an annual percentage rat[…] of 521 percent, and $30 for $200, or 39[…] percent.

Unlike some lenders, Ms. Brenne[…] lets her clients pay off portions o[…] their loans as they extend them an[…] in that way work them down. And t[…] avert probable trips to small claim[…] court, she says she will not lend t[…] people who already have more tha[…] two loans from other payday lenders[…]

The biggest borrowers, many lenders say, are not Kokomo's low-wage service workers, but auto industry employees who earn more than $20 an hour. "Most of my customers are from Chrysler and Delco," said Marc Sutherland, manager of the Kokomo office of Nationwide Budget Finance. "People get stung. They can't manage money."

Shari Harris, 39, who earns around $25,000 a year as an information security analyst, was managing money well enough until the father of her two children, ages 10 and 4, stopped paying $1,200 a month in child support.

"And then," she said, "I learned about the payday loan places." She qualified immediately for a two-week $150 loan at Check Into Cash, handing them a check for $183 to include the $33 fee. "I started maneuvering my way around until I was with seven of them," she said.

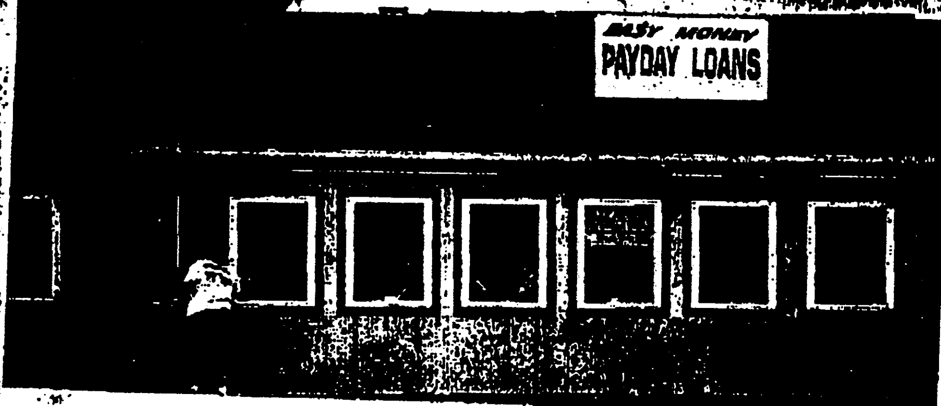
In six months, she owed $1,900 and was paying fees at a rate of $8,006 a year. "That's the sickness of it," Ms. Harris said. "I was in the hole worse than when I started. I had to figure a way to get out of it."

So she asked her employer to stop paying her wages into her checking account, emptying it, and putting her checks into a savings account. She stopped paying the biweekly fees to extend the loans, so the lenders tried to redeem her checks. "I let 'em all bounce," she said.

She took a second job, working in a department store, and turned to the Consumer Credit Counseling Service, which worked out a plan under which she is paying $440 a month to work down the loans.

Jean Ann Fox, director of consumer protection at the Consumer Federation of America and a prominent critic of payday lending, said, "There's nothing wrong with small loans at reasonable interest rates, reasonable terms and reasonable collection practices.

"But these practices are designed to keep you in perpetual debt."



Mary Ann Carter for The New York Times

A product of the nation's most prosperous peacetime decade in this century, payday lending businesses are sprouting up across the country, with 8,000 today against 300 seven years ago. This one is in Kokomo, Ind.

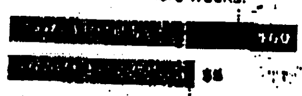
To obtain a payday loan, a borrower writes a check for the loan plus the fee, and the check is held until the borrower's next payday.

WHAT IT COSTS

An Expensive $100

A payday loan is a short-term cash advance, for a fee, to be paid off with a check that will be cashed on the borrower's next payday. But with fees like $30 for a two-week loan of $100, they are far more expensive than even credit cards:

PAYDAY LOAN: $60 A MONTH
A $30 fee for a two-week $100 loan, renewed for two more weeks.



CREDIT CARD: ABOUT $5 A MONTH
A card available to people with poor credit might have a 3 percent fee for a cash advance, plus an annual interest rate of 19.8 percent, or about $2 a month on $100.

The New York Times

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Rule will force responsibility in lending

GUEST COLUMN

By Kerry Schumann and
Steve Meili

A few years ago, Wisconsin eliminated its 18 percent usury cap on interest rates. We are now seeing one of the most unfortunate results of that policy: the proliferation of "payday loan" stores throughout the state.

In recent years payday lenders have become increasingly predatory on Wisconsin consumers.

Most people are probably familiar with payday lenders. Their advertisements on TV and fliers in grocery stores promise quick and easy cash. But as more and more of these storefront cash stores pop up around Wisconsin, we are realizing that their promises of quick and easy cash actually come at a great expense to consumers.

How do payday loans work?

For a loan of $300, the consumer writes a post-dated check for around $360. The consumer then receives $300 in cash, and the lender keeps the $60 as a finance charge. The lender holds the check until the date indicated, usually about two weeks in the future. For that $300 loan, the customer has just paid an annual interest rate of more than 500 percent.

It gets worse. Frequently customers don't have enough money in their checking account to cover the amount of the loan when it comes due. At that point the lender will allow them to roll over the loan for an additional two weeks and pay another $60 in fees. The $300 loan has now cost the consumer $120. Unfortunately, it is not uncommon for borrowers to pay hundreds of dollars more in interest than they got as a loan, and many consumers even end up in bankruptcy.

The payday loan industry is growing rapidly in Wisconsin. In 1993, only one payday lender operated in Wisconsin. Now there are about 200 payday loan branches throughout the state. There are payday lenders in urban, rural and suburban areas, and their level of advertising has increased dramatically in recent years. In 1998 alone, the payday industry issued more than 600,000 loans in Wisconsin, generating income of more than $40 million for the industry.

Part of the reason for this sudden growth is because of the lack of regulation in Wisconsin. More than 20 other states around the country regulate the interest rates payday lenders can charge.

Today the state Senate Financial Institutions Committee will conduct a public hearing on Senate Bill 96, Sen. Judy Robson's proposal to regulate the payday loan industry.

SB 96 would put a cap on the amount of interest payday lenders can charge their customers, limiting rates to an annual rate of 36 percent. The interest rate cap would force the industry to act responsibly and would protect consumers from an outrageous rip-off. While 36 percent is far more than most conventional lenders charge, it is much less than the 500 percent rates charged by payday lenders. It is also the same rate at which pawn shops are regulated.

As consumers, we all have a stake in this issue. Call your state senator and ask for support of SB 96. We encourage Sen. Jon Erpenbach, D-Middleton, chairman of the Financial Institutions Committee, and other members of the committee to put a stop to this consumer rip-off.

Schumann is director of the Wisconsin Public Interest Resource Group, Madison, and Meili is director of the Consumer Law Clinic of the Center for Public Representation, Madison.

Democrats betting the farm on winning the House

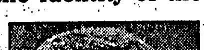
WASHINGTON — In the five years since the Republicans won control of the House of Representatives, the Democratic Congressional Campaign Committee has held at least a dozen press briefings to announce that the Democrats' return to power is imminent.

They did it again last week, with Minority Leader Dick Gephardt of Missouri and DCCC Chair-

weak opponents, Robert Dole and Ross Perot, and Democrats regained only eight of the 54 seats they had lost in 1994.

In 1998, the Democrats believed that a backlash against the Republican effort to impeach and remove Clinton would carry them over the top. They gained five seats, but came up short.

Now, with Clinton headed for retirement and the identity of the Democratic presidential



Polls taken by the Washington Post, the New York Times and the Pew Research Center this month showed broad public support for all these measures. The sampled voters say they trust the Democrats more than the Republicans to achieve them.

After the effort to remove Clinton fizzled, congressional Republicans spent the next six months promoting a giant tax cut — almost $800 billion over 10 years. They never made the sale, because most of the public thought

from spending enough time with their children and that medical benefits from employers will be reduced or eliminated.

Given that agenda, it is no surprise that each of the three most recent surveys showed the Democrats leading the Republicans by 6 or 7 points in the national vote for the House of Representatives. District-by-district analyses also look favorable for the Democrats.

Much can change in a year, of course. But when I called the Na-

STATE BAR of WISCONSIN

5302 Eastpark Blvd.
P.O. Box 7158
Madison, WI 53707-7158

LEGISLATIVE POSITION

To: Members of the Senate Committee on Privacy, Electronic Commerce, and Financial Institutions

From: Mary Fons, Public Interest Law Section of the State Bar

Date: November 17, 1999

Re: SB 96—Pay Day Loan Bill

The **State Bar of Wisconsin Public Interest Law Section supports SB 96**, which would put an interest rate cap on "payday" loans.

Wisconsin has a history of strong consumer protection legislation. Consumer protection legislation exists to protect consumers who do not have the savvy or sophistication to confront unscrupulous merchants. The Wisconsin Consumer Act, Chapters 421 -427, enacted in 1971, states two of its purposes as:

1. To protect customers against unfair, deceptive, false, misleading and unconscionable practices by merchants (*Wis. Stat.* § 421.102(2)(b)), and
2. To permit and encourage the development of fair and economically sound consumer practices in consumer transactions (*Wis. Stat.* § 421.102(2)(c)).

Payday lenders are frequently charging consumers interest rates of 500% to 1000% for a loan of $100 -$300 for two weeks. This is currently possible in Wisconsin because of the gap in regulation in the area left by the repeal of the usury law. Unscrupulous actors have no incentive to stop at 1000% or 2000% interest rates for desperate consumers.

Other states have criminal penalties for loan sharking in place when interest rates exceed 25—45%.

The Legislature now has the opportunity to correct a loophole left by the repeal of the usury law. By placing a cap on the interest rates of "payday" loans, you can close this loophole and effectuate the stated purposes of the Wisconsin Consumer Act by providing protection from the current practices and enabling "payday" lenders to operate in consumer transactions in a manner which will be fair and sound in relation to Wisconsin citizens.

The Public Interest Law Section of the State Bar of Wisconsin urges you to close the loophole before any more consumers are hurt by this reckless practice.

PLEASE SUPPORT SB96.

AARP

WISCONSIN STATE LEGISLATIVE COMMITTEE

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Sun Prairie, WI 53590
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STATEMENT
of
Garfield Stock
Wisconsin AARP State Legislative Committee Member
608-837-6187
November 17, 1999
Senate Hearing of SB 96

Good morning/afternoon. My name is Garfield Stock. I live in Sun Prairie and I serve as chair of AARP's Wisconsin State Legislative Committee, which officially represents the Association's policies before state-level legislative and regulatory bodies. AARP has nearly 700,000 members in Wisconsin.

It seems that, more and more, consumers "can't afford" to bank their money. A recent article by US Banker found that banks charge 250 different kinds of fees. These fees range from monthly charges to customers for including returned checks with monthly statements to charging customers if they don't use their ATM cards frequently enough to making customers pay for using deposit slips.

The trend of banks to raise existing fees, invent new fees and make it more difficult for consumers to avoid fees is especially troublesome for persons who are financially strapped in the first place. Consumers with above-average income don't complain about fees because they don't pay them; their minimum balances and "relationship" packages often waive fees. However, consumers living from paycheck to paycheck can't meet banks' required minimum balances and as such, bear the brunt of the fees.

This, in turn, can lead to some consumers losing their ability to maintain a bank account. According to a 1995 survey by the Federal Reserve Survey of Consumer Finances, 15 percent of families or 39 million people do not have a checking account. This includes about 4.9 million families headed by persons age 50 and older.

601 E Street, NW Washington, DC 20049 (202) 434-2277

AARP

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Today mainstream banking services are out of reach for many working families and for senior citizens as well. Instead, these individuals are forced into using "fringe" financial institutions that may take advantage of their vulnerable situations to charge high interest rates if they need a loan to make ends meet until the next payday or the next government benefits check.

Unfortunately, many customers are unable to pay the loan in full when it comes due, so they "rollover" the loan by writing another post-dated check and paying more fees to the lender. "Payday lenders" are gouging seniors and others by charging astronomical interest rates – on average, 500 percent for a small loan! Soon these customers spiral into debt! For example, an individual could pay as much as a $1,000 in interest for a loan of only $300!

And the number of payday lenders is growing my leaps and bounds. In 1993, there was only one payday loan lender in Wisconsin. Today, there are more than 180 in the state. Payday loan lending seems to be a profitable business. However, this is at the expense of Wisconsin citizens who are financially vulnerable in the first place.

A bill before your committee – SB 96 – would cap payday loan interest rates at 36 percent yearly. AARP asks for your support of this legislation. It is reasonable in scope, but at the same time, protects those citizens most likely to be charged exorbitant rates simply because they do not have access to credit or banking services because of where they live or their level of income. Thank you.

601 E Street, NW Washington, DC 20049 (202) 434-2277

AARP WORKS TO PROTECT THE RIGHTS OF CONSUMERS IN FRINGE BANKING

AARP has filed a "friend of the court" brief in *Harris v. Cash to Go, Inc.*, a case before the Alabama Supreme Court that challenges the practices of the "payday loan" industry. "Payday loans" are typically very short-term, high-interest rate loans. A customer writes a personal check for the cash needed plus a fee. The borrower and lender both know the borrower does not have sufficient funds to cover the check, and the lender agrees to advance cash now but to hold the check until a specified date -- a payday, a date when benefits such as Social Security or welfare are due, or another future date. Studies have shown that annual percentage rates (APRs) on these loans can range from 300% to 2,000%.

Payday lenders are part of an industry popularly referred to as "fringe banking" or "alternative financial services," which targets low and moderate-income people who do not have access to traditional sources of money or credit. Alabama's Small Loan Act is specifically designed to protect people who need to borrow small amounts of money. The legislature said it intended this law "to bring under public supervision those engaged in the business of making [small] loans [and] to eliminate practices that facilitate abuse of borrowers." A class action lawsuit was filed in the state against several payday lenders.

These companies argue that their transactions are not loans, but that they are simply cashing checks or selling merchandise. They also argue that the case does not belong in court at all, because their contracts specified that disputes must be resolved in binding arbitration. (Arbitration is a non-court dispute resolution process that does not provide the same protections that consumers have in court and usually is extremely expensive for consumers). A judge threw out the arbitration argument, finding substantial evidence that the underlying contracts were illegal and therefore components in them (such as the binding arbitration clause) were void.

The Consumer Federation of America and the National Consumer Law Center joined AARP's brief, which argues that regardless of how Cash to Go, Inc., and the other companies characterizes these transactions, they are in fact loans. The brief notes the nature of both the transactions and the fees, as well as a 60-year history of cases that unmask these types of transactions as loans. The brief also notes the extreme vulnerability of payday loan customers and their lack of financial sophistication, and urges the court to uphold the protections of the Alabama's Small Loan Act.

A large number of older people fall into the low- and moderate-income categories, making them vulnerable to abuse by the "fringe banking" industry. For persons 60 and older who reported income in 1997, 37% reported annual incomes of less than $10,000, and only 21% reported incomes of $25,000 or more. In addition, approximately 3.4 million older people were below the poverty line, with another 2.1 million classified as "near poor" (income between the poverty line and 125% of poverty).

Contact persons: Deborah Zuckerman
Stacy Canan
AARP Foundation Litigation
(202) 434-2060

10/1/99

U N I V E R S I T Y *of* W I S C O N S I N — M A D I S O N
511 Memorial Union, 800 Langdon Street, Madison, WI 53706 • www.asm.wisc.edu
phone: 608.265.4ASM • fax: 608.265.5637 • asm@macc.wisc.edu

ASSOCIATED STUDENTS OF MADISON

The Associated Students of Madison
Student Council
6th Session
SC Bill No. 06-

Sponsored by: Representative J. Nels Bjorkquist

Title: **Loan Shark Elimination and Student Protection**

Whereas, Students are becoming increasingly targeted by upstart short-term loan businesses setting up shop surrounding university campuses nationwide; and

Whereas, these short-term loans typically charge students annual interest rates of up to an unconscionable 500%; and

Whereas, these insultingly high interest rates are not disclosed prominently in any readily comprehensible manner to students who may be acting in a state of financial panic; and

Whereas, these businesses unfairly prey upon students who may not be aware of alternative lending opportunities available at commercially reasonable interest rates and terms; and

Whereas, it is generally accepted in business circles that a sustained 10% return on investments is favorable, that a 20% return is reason to mildly celebrate, and that a 500% return on investment is cause for a month-long vacation on the Riviera with 20 of your closest friends; and

Whereas, the University of Wisconsin offers both zero-interest short-term loans, a Dean of Students Crisis Fund, and other emergency financial services which render 500% interest rate loans entirely inappropriate and unacceptable in the campus community; and

Whereas, UW's 40,000 Rabid Badgers are particularly at risk because Wisconsin law does not limit loan interest rates, which has led our state's short-term "pay day" loan industry to blossom from 1 short-term lender in 1993 to nearly 200 in 1999 (a 20,000% increase); and

Whereas, the UW community has been targeted by such predatory lending practices for a variety of reasons including: a) increasing student debt as tuition rises and financial aid drops; b) unbridled marketing of credit cards to college students; c) the relentless vortex of unexpected expenses involved in living away from home; d) college students' relative unfamiliarity with accepted lending practices in a commercially reasonable setting, and; e) a host of other contributing factors;

Therefore, the members of the Associated Students of Madison, do enact as follows:

Be it Resolved, that ASM supports Senate Bill 96, which would protect students and consumers alike by capping short-term loan annual interest rates at a level no higher than 36%; and

Be it Further Resolved, that ASM cooperate in consumer protection coalition efforts directly related to consideration and passage of Senate Bill 96.

Date Introduced: 28 October, 1999

Disposition: Passed by majority Date: 28 October, 1999

Secretary: Harry Overly

Madison Lender Comparative Sampling

- Compiled by ASM volunteers -- October 27, 1999

Lender	Type of Loan	Minimum Loan Available	Annual Interest Rate	Loan Term	Pre-Pay Penalty
UW Credit Union	signature unsecured	$1,000	13.50%	24-48 months	Information not available
	secured	$1,000	7.25%	24-48 months	Information not available
Firstar	signature unsecured	$2,500	15%	36 months	None
	secured	$2,500	8.99%	36 months	None
	Firstar Credit Card	No minimum	18-25% APR	Information not available	None
Cuna Credit Union	signature unsecured	$500	13.4-17.9%	24 months	None
	secured	$500	7.45-15.5%	24 months	None
Campus Cash	unclear whether it is secured or not	$50-100	~300+%	2 weeks	Information not available
Checks Cashed	unsecured	$50-100	~300+%	2 weeks	None
Check 'N Go	unsecured	$50-100	521.43%	2 weeks	None

THE BADGER HERALD 30 1969-1999

THE BADGER HERALD

The University of Wisconsin's Independent Student Newspaper Since 1969

MADISON, WISCONSIN THURSDAY, NOVEMBER 4, 1999 VOL. XXXI ISSUE 45

ASM supports putting cap on lender interest rates

BY BEN WRIGHT
CAMPUS REPORTER

A bill currently being considered by the state Legislature changing the way short-term lenders do business recently received the support of the Associated Students of Madison.

In a resolution passed Oct. 23, ASM officially gave its support to the bill that would put a cap of 26 percent on any loan from a licensed lender like payday loan and cash advance stores.

These establishments charge as much as 300 percent to 1,300 percent interest rates.

ASM representative Nels Bjorkquist sponsored the ASM resolution.

"The resolution sends a message to the legislature saying this is a great opportunity to protect students from these outrageous rates," Bjorkquist said.

UW-Madison Director of Student Financial Services Steve Van Ess also criticized these fees.

"This is too high a price for convenience," Van Ess said.

Bjorkquist and Van Ess both said they felt these institutions were targeting students.

"By the cities they have been choosing and their locations near campuses, they appear to be targeting student bodies," Van Ess said.

Darlene McGettigan, manager of Chex Cashed, 405 S. Park St., denied this claim.

"We do not target students and we do not advertise," McGettigan said.

She added, whatever the decision, the corporate office would abide by the state laws.

Corporate Executive Officer of the Cash Store – which operates 18 lenders in Wisconsin – Trevor Ahlberg said he opposes Senate Bill 96.

"This is essentially a prohibition bill," Ahlberg said. "If it passes, we will close."

Instead of the bill, Ahlberg said people should work on consumer education.

He also said his company provides a vital service for consumers of this state and said other states such as Virginia allow much higher rates.

"This service helps avoid bounced checks and is a dignified alternative to pawn shops or going to family members to ask for money," Ahlberg said.

Ahlberg also said competition will force the best price for the consumer.

Bjorkquist disagreed with this idea.

"The fact that there are a whole set of viable alternatives that are better than the price gouging of these short-term lenders suggests an absolute market failure," Bjorkquist said.

Such lenders currently operate in four states which have caps like the one being considered in Wisconsin, including a 9.5 percent cap in Pennsylvania.

These institutions have increased from one in 1993 to over 170 in Wisconsin today.

A typical example of how these institutions work is a customer borrows $200 in cash by writing a post-dated check for $240.

In two weeks, the lender cashes the check.

If customers can't cover the check, they can prolong the loan for another two weeks by paying $40 in cash and writing another post-dated check for $240.

Van Ess said he felt students should be aware of this issue.

"[These rates] eat up your income," Van Ess said, "and to pay these types of rates will only make you poorer in the long run."

Some UW students said they have thought of using these short-term loans to make it to the next payday.

"In times of need I've looked into

CASH see page 5A

CASH from page 1A

these places," junior Dan Frick said. "I think they make a lot of money off people in financial despair, but it's also a good resource for some people in a short term bind."

Many students said they supported the effort to cap interest rates.

"This is awesome; anything that saves us money is good," sophomore Matias Lauryssens said.

Van Ess said students should plan ahead and be well aware of other options such as financial aid and loans available through the university at very low rates.

"Students should remember we offer short term loans at the Financial Aid Office, most of the time at a 0 percent short-term rate and no fees," he said.

University of Wisconsin-Madison
The Daily Cardinal
Established 1892 Monday, November 1, 1999 Volume 109, Issue 43

Pending state Senate bill caps loan interest rates

By Sara Harycki
OF THE CARDINAL STAFF

The Associated Students of Madison student council considered a bill Thursday supporting state Senate Bill 96, which would limit interest rates short-term loan companies charge customers to the equivalent of 26 percent annually.

According to ASM representative Nels Bjorkquist, who sponsored the ASM bill, short-term lenders, such as cash-advance stores, take advantage of students, the elderly and other low-wage workers by charging interest rates as high as 500 percent annually.

"There is a burgeoning industry of short-term lenders taking advantage of students and people in tenuous positions financially," he said.

While many demographic groups are being targeted all over the country, Wisconsin has seen a growth of these institutions in the past few years near universities, Bjorkquist said.

"They are popping up on college campuses," he said. "Students are increasingly being targeted."

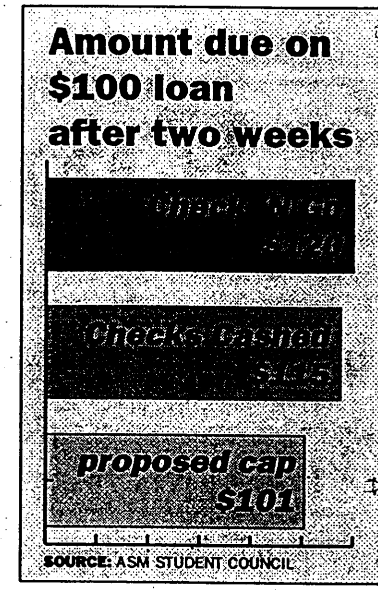
The ASM bill explains that students are vulnerable because of increasing student debt, heavy use of credit cards and inexperience with money management.

According to State Sen. Gwendolynne Moore, D-Milwaukee, the suspect loan companies target the very poor.

"The main users of these companies are low-wage workers, people who probably don't have a relationship with a credit union, " Moore said. "People who have a very hard time making it from payday to payday."

Moore said because interest rates on short-term loans from these companies are so high, people who take them out often cannot repay them, bringing more financial difficulty when they must borrow again.

"The desperation for these loans creates a situation where people take out these loans and can never pay them back," she said.



SEAN WEITNER/CARDINAL GRAPHIC

State Rep. Spencer Black, D-Madison, said the Senate bill will put a cap on customer exploitation.

Black said the interest rates these companies will be allowed to charge are still greater than those of credit unions or banks.

"The bill would limit the interest rate charged to a reasonable interest rate," he said. "But it would still be higher than a normal loan, just not highway robbery.

WISPIRG

1121 University Ave., Madison, WI 53715 608-251-1918

**Testimony of Kerry Schumann, State Director of WISPIRG,
In Support Of Senate Bill 96**

My name is Kerry Schumann. I am the Director of the Wisconsin Public Interest Research Group (WISPIRG), and am testifying today on behalf of WISPIRG. We are testifying in support of Senate Bill 96 which would cap interest rates for the payday loan industry at 36% annual percentage rate.

A few years ago, Wisconsin eliminated its usury cap on interest rates. We are now seeing one of the most unfortunate results of that policy: the proliferation of "payday loan" stores throughout the state.

Just about everyone is familiar with these so-called payday lenders. There are very few topics that, when mentioned in conversation, generate as indignant and disgusted of a reaction as does the issue of payday loans. The payday lenders' advertisements on TV and flyers in grocery stores promise quick and easy cash. But as more and more of these storefront cash stores pop up around Wisconsin, we are realizing that their promises of quick and easy cash actually come at a great expense to consumers.

This problem is growing rapidly in Wisconsin. In 1993 there was only one payday lender operating in Wisconsin. Now there are about 200.

There are several issues I would like to address.

1. Payday lenders charge outrageous interest rates and fees.
Because the payday lending industry is largely unregulated in the state of Wisconsin, lenders typically charge outrageous interest rates and fees for short-term loans. Most payday lenders are charging annual interest rates of 500% and more. On a two-week loan of $300, that's about $60 in fees. It is difficult to believe that it's legal to charge an interest rate that is that ridiculously high.

The industry likes to claim that they need to charge such absurd rates because they are in a high risk business. However, using Colorado as an example because they collect actual data from the industry, payday lenders charged-off only 3% of the loans made from 1996-1997, while their loans had an average APR of 485.26%. In those same years, California banks charged-off 2.7% of credit card debt while having an APR of 15-22%. Their argument doesn't holdup to close scrutiny and does not justify the high rates charged.

The payday lenders are making a generous profit, and could continue to do so under interest rates similar to the rates businesses ranging from pawn brokers to credit card companies operate under. In fact, in 1998 the Wisconsin payday industry generated an income of over $40 million.

2. Pay day lenders are increasingly predatory.
More and more we are seeing payday lenders advertising on TV, in grocery stores, on campuses, on city kiosks and on radio. Much of the advertising targets consumers who can ill afford to pay outrageously high fees. For example, last year Campus Cash opened a store in the UW-Madison area. Campus Cash radio advertisements stated things like

"Need money for a haircut? Call Campus Cash!" and "Need money for spring break? Come to Campus Cash!" When school started this fall there were flyers posted on campus bulletin boards from payday lenders letting students know how "easy" it is to get quick cash, even pointing out that once the student is in the lenders' computer system it will be even easier and faster to get cash the next time they need a short-term loan. The payday lenders are aggressively encouraging people to spend money they don't have and targeting people who are in desperate situations, then charging them exorbitant fees that they can't afford to pay.

3. Pay day loans do not provide a service.
The payday lenders like to claim that they are providing a "service" for people who have no other options. However, payday loans frequently lead to financial ruin and drive many borrowers into endless debt and bankruptcy. Payday lending is one of the most insidious forms of community disinvestment. For an individual struggling to make ends meet, taking out a payday loan is like throwing gasoline on a fire - it only inflames the problem.

Consumers have other, and better, options than payday loans. Credit card cash advances, small finance company loans, and even pawn brokers are a better deal than a payday loan. Keep in mind that payday lenders require that customers have a source of income. In a country that is awash in credit offers, a consumer who has no other source of credit options is too high of a risk to be able to afford a payday loan.

The payday industry has been around for only a few years, yet consumers managed their finances without them for decades.

4. This committee should be exploring alternatives to pay day loans.
I would encourage all of you, as members of the Financial Institutions Committee, to think about this problem more broadly. It is true that as banks add more and higher fees, bank accounts are becoming more inaccessible to many consumers. Things like minimum balance requirements, ATM fees, check cashing fees and teller fees are leaving consumers with fewer and fewer options. The payday lenders claim to be filling that void, but it is unacceptable to replace one anti-consumer industry with an even worse one. I encourage you to not only support this legislation, but also to implement other pro-consumer banking policies such as requiring that all banks provide lifeline checking.

By passing Senate Bill 96, you will be standing up for consumers and requiring the payday industry to operate under the same rules that other industries operate under. I encourage you to support SB 96 and put a stop to this consumer rip-off.

OPINION
WISCONSIN STATE JOURNAL
Wednesday, November 17, 1999

Rule will force responsibility in lending

By Kerry Schumann and Steve Meili

GUEST COLUMN

A few years ago, Wisconsin eliminated its 18 percent usury cap on interest rates. We are now seeing one of the most unfortunate results of that policy: the proliferation of "payday loan" stores throughout the state.

In recent years payday lenders have become increasingly predatory on Wisconsin consumers.

Most people are probably familiar with payday lenders. Their advertisements on TV and fliers in grocery stores promise quick and easy cash. But as more and more of these storefront cash stores pop up around Wisconsin, we are realizing that their promises of quick and easy cash actually come at a great expense to consumers.

How do payday loans work?

For a loan of $300, the consumer writes a post-dated check for around $360. The consumer then receives $300 in cash, and the lender keeps the $60 as a finance charge. The lender holds the check until the date indicated, usually about two weeks in the future. For that $300 loan, the customer has just paid an annual interest rate of more than 500 percent.

It gets worse. Frequently customers don't have enough money in their checking account to cover the amount of the loan when it comes due. At that point the lender will allow them to roll over the loan for an additional two weeks and pay another $60 in fees. The $300 loan has now cost the consumer $120. Unfortunately, it is not uncommon for borrowers to pay hundreds of dollars more in interest than they got as a loan, and many consumers even end up in bankruptcy.

The payday loan industry is growing rapidly in Wisconsin. In 1993, only one payday lender operated in Wisconsin. Now there are about 200 payday loan branches throughout the state. There are payday lenders in urban, rural and suburban areas, and their level of advertising has increased dramatically in recent years. In 1998 alone, the payday industry issued more than 600,000 loans in Wisconsin, generating income of more than $40 million for the industry.

Part of the reason for this sudden growth is because of the lack of regulation in Wisconsin. More than 20 other states around the country regulate the interest rates payday lenders can charge.

Today the state Senate Financial Institutions Committee will conduct a public hearing on Senate Bill 96, Sen. Judy Robson's proposal to regulate the payday loan industry.

SB 96 would put a cap on the amount of interest payday lenders can charge their customers, limiting rates to an annual rate of 36 percent. The interest rate cap would force the industry to act responsibly and would protect consumers from an outrageous rip-off. While 36 percent is far more than most conventional lenders charge, it is much less than the 500 percent rates charged by payday lenders. It is also the same rate at which pawn shops are regulated.

As consumers, we all have a stake in this issue. Call your state senator and ask for support of SB 96. We encourage Sen. Jon Erpenbach, D-Middleton, chairman of the Financial Institutions Committee, and other members of the committee to put a stop to this consumer rip-off.

Schumann is director of the Wisconsin Public Interest Resource Group, Madison, and Meili is director of the Consumer Law Clinic of the Center for Public Representation, Madison.

Wisconsin State Journal, Sunday, October 24, 1999

Loan shark operations commonly prey on poor

Dear Ann: I am a Catholic priest who has served in Chicago for over 50 years. I am writing because I have a story to tell that warrants as much coverage as possible. Recently, a woman came to see me because she was desperate for help. For the past three years, she had been paying $80 every payday on a $400 loan. On another loan of $200, she had been paying $40 every payday for the past year. This amounted to over 500 percent annual interest.

The woman is working two jobs and has a family to support, and was truly desperate. I was able to scrape together $720, so she could pay off both loans and the interest. Need I tell you the measure of her gratitude and relief.

Spokespersons for these loan-shark operations will say they are helping the poor get cash when nobody else will loan them money. Well, "helping," indeed. At that outrageous rate of interest, those operators are hardly helping the poor. The reality is, they are chaining these hapless individuals to perpetual poverty.

The loan sharks are making so much money, they make generous contributions to legislators, who otherwise might vote to curtail their activities. Decent people in our state should rise up and demand that these loan enterprises either be better regulated or put out of business. — **Monsignor John J. Egan, Chicago**

Dear Monsignor Egan: Thank you for a letter that will surely open millions of eyes, not only in Chicago, but elsewhere. I printed a similar letter a while back about loan companies that advertise on TV, saying, "If you are a homeowner . . . " which, I explained, means if you fail to meet your payments, they get your home.

So, again I say, dear readers, if you are desperate for money, try relatives and friends first, next, your bank, but stay away from loan sharks who advertise on TV, in newspapers, on billboards, or anywhere else.

ANN LANDERS

States That Cap Small Loan Interest Rates

State	Small Loan Rate Cap	Statute
Alabama	36.00%	AL Stat. 5-18-2, 5-18-15
Alaska	36.00%	AK Stat. 06.20.230
Arizona	36.00%	AZ Stat. Ann. 6-632
Arkansas	17.00%	AR Const, Art. 19, s. 13
Connecticut	17.00%	CT Stat. 36a-563; CT Stat. 36a-585; CT Adm. Code 36a-585-1; $17/$100/yr. (up to $600)
Georgia	10.00%	GA Stat. Ann. 7-3-14; GA Stat. Ann. 7-1-706; greater of 10% or $5 check cashing fee
Hawaii	24.00%	HI Stat. Ann. 412:9-302
Indiana	36.00%	Ind. Code s. 24-4.5-3-501 et seq; 36.00%/yr or $33
Maine	30.00%	9-A M.R.S.A. s. 2-301
Maryland	33.00%	MD Comm. Law 12-306
Massachusetts	23.00%	MA Gen. Laws Ann. Ch 140 s. 96 et seq; $23.00% + $20 administrative fee
Michigan	25.00%	MI Comp. Laws Ann. 493.13; 445.1854
New Hampshire	24.00%	NH Stat. Ann. 399-A:3
Pennsylvania	9.50%	7 PA Stat. Ann. s. 6214; s. 6213; $9.50/$100/yr.
Puerto Rico	25.00%	PR Laws Ann. S. 10-942 et seq
Rhode Island	36.00%	Gen. Laws of RI Ann. s. 19-14.2-8
Texas	18.00%	TX Fin. Code s. 1.101 et seq; $18/$100/yr. or sliding scale
Vermont	24.00%	8 VT Stat. Ann. s. 2230; 9 VT Stat. Ann. s. 41a
Virginia	36.00%	Code of VA 6.1-272.1
Virgin Islands	26.00%	VI Code Ann. Title 9 s. 182 et seq
West Virginia	31.00%	WV Code 46A-4-107

TOTAL STATES 21

AVERAGE 26.31%

WISPIRG

Vol. 11, No. 1 CITIZEN ADVOCATE Wisconsin State Public Interest Research Group

Clean Air Now

Doctors Testify To Cut Auto Pollution

As the Midwest suffered through the smog alerts that have become a regular part of summer, more than 150 doctors, asthma victims and other clean air supporters joined WISPIRG and other state PIRG staff to testify in favor of stronger air pollution standards for automobiles.

The testimony took place at EPA hearings, held in Philadelphia, Atlanta, Denver and Cleveland, on the agency's proposed "Tier 2" pollution standards for reducing automobile emissions.

Some of the most compelling testimony came from five doctors at the June 11 hearing in Atlanta.

Each doctor spoke about the increased number of patients with respiratory problems requiring medical attention during the summer. One asthma doctor told the EPA representatives that her patient list had tripled in the last few years.

WISPIRG and other state PIRG staff worked in the weeks preceding the EPA hearings to alert health experts and asthma sufferers to the opportunity to speak face-to-face with EPA decision-makers.

Testifying at the hearing in Philadelphia, PIRG Staff Attorney Rebecca Stanfield praised the EPA's proposal, but called on the agency to eliminate exemptions for the biggest sport utility vehicles.

"The EPA's current proposal goes a long way toward reducing auto pollution," said Stanfield. "But we shouldn't allow the biggest SUVs to remain exempt from modern pollution standards."

Stanfield noted that automobiles, including cars, light trucks and sport utility vehicles, are the nation's largest source of smog-

Continued on page 8

PIRG staff

CLEANER CARS—*WISPIRG Advocate Kerry Schumann responds to a reporter's question at a July 1 news conference in Madison. Schumann called on the Clinton administration to support stronger air pollution standards for cars and light trucks.*

Clean Beaches

WISPIRG Urges Protection And Monitoring For Beaches

With beach pollution advisories and closings around the state up from 1997, WISPIRG is urging all of the state's communities along Lake Michigan to protect swimmers by monitoring water quality every day. Currently only three of the 15—Milwaukee, Kenosha and Racine—maintain a regular program of testing.

A report issued by WISPIRG and the Natural Resources Defense Council found that the state's beaches along Lake Michigan were closed a combined total of 139 days in 1998 due mostly to dangerously high levels of bacteria.

"We encourage Wisconsin communities and the EPA to monitor beaches regularly," said WISPIRG Advocate Kerry Schumann. "But our ultimate goal is to ensure that we can swim at clean beaches. Until that happens, WISPIRG will work to strengthen monitoring requirements and stop pollution."

Continued on page 5

Member Action

✓ CLEAN CARS
Call 202-260-2902 and urge the EPA to implement strong "Tier 2" air pollution standards for cars and light trucks.

Special Exemptions, Excessive Pollution

Back Door Democracy: Riders Erode Environmental Progress

—by Staff Scientist Anna Aurilio


Jan Pelton

What do you do if you're serving in the U.S. Congress and you're a diehard ally of the country's worst polluters?

Public support for environmental protection remains strong. Even when you had the tenacious leadership of Newt Gingrich behind you a few years back, not to mention ready access to the deep pockets of your polluting industry friends, the public outcry stopped your attempts to roll back the Clean Water Act, the Clean Air Act and other pro-environment laws.

So what do you do? You find a nice, quiet shortcut called a "rider."

"Ride-Along" Legislation

A rider is an amendment attached to legislation that is often unrelated. A favorite strategy of polluters' allies in recent years has been to attach riders to must-pass appropriations or "emergency spending" bills.

Every year, Congress must pass 13 different appropriations bills, which fund all government spending. If Congress fails to pass these bills or a "continuing resolution" to temporarily fund government operations, then the government shuts down.

While much of the attention of Congress and the media is focused on the main intent of the legislation, the unrelated amendment "rides" along into law.

Exploiting An Emergency

A prime example of a special interest rider slipping through the legislative cracks occurred in 1998 when Sen. Hutchison (Texas) attached a rider to benefit a few big oil companies at the expense of the public to an emergency spending bill.

The House and Senate had approved separate versions of the bill, aimed at helping tornado victims and troops in the Middle East.

Because there were significant differences between the two versions, the bills were sent to a conference committee, where a handful of representatives from the Senate and House negotiated a compromise.

But when the emergency spending bill emerged from conference, Sen. Hutchison had included a provision that neither chamber had initially adopted.

The rider Hutchison attached allowed a few big oil companies to keep $100 million a year in royalties for drilling on public lands—money that should have gone to the federal government.

According to a story in the *Washington Post*, an industry lobbyist took advantage of a late night break between conference committee meetings to lobby lawmakers to include the rider.

The lobbyist, Joel Saltzman of the American Petroleum Institute, sat right at the conference table, in one of the lawmaker's chairs—where only members of Congress are allowed to sit—to plead his case.

Despite objections from several lawmakers about the impropriety of adding an unrelated bill in conference committee, Hutchison's proposal was approved 24-18.

Hutchison's rider cheats the public out of royalties for the use of its land. It also hurts the environment by encouraging drilling for oil on public lands, which the rider allows the oil industry to do with less expense and more profit than on private land.

That's because the rider permits the oil industry to continue paying royalties based on the price of oil set by oil companies themselves as opposed to using the price set by the free market.

That practice has cost taxpayers as much as $2 billion, according to the Project on Government Oversight.

A few newspapers and other media outlets picked up on Hutchison's back-room maneuver.

However, no changes are allowed when a bill returns from conference to the House and Senate for final votes. At that point, the only way to stop the rider was for the House or Senate to vote down the entire bill or for President Clinton to veto it and delay aid to disaster victims.

It had already been months since the tornadoes that prompted the need for the emergency relief bill had struck, and many Americans were in desperate need of help.

Needless to say, the bill became law.

Chalk up a victory for the American Petroleum Institute.

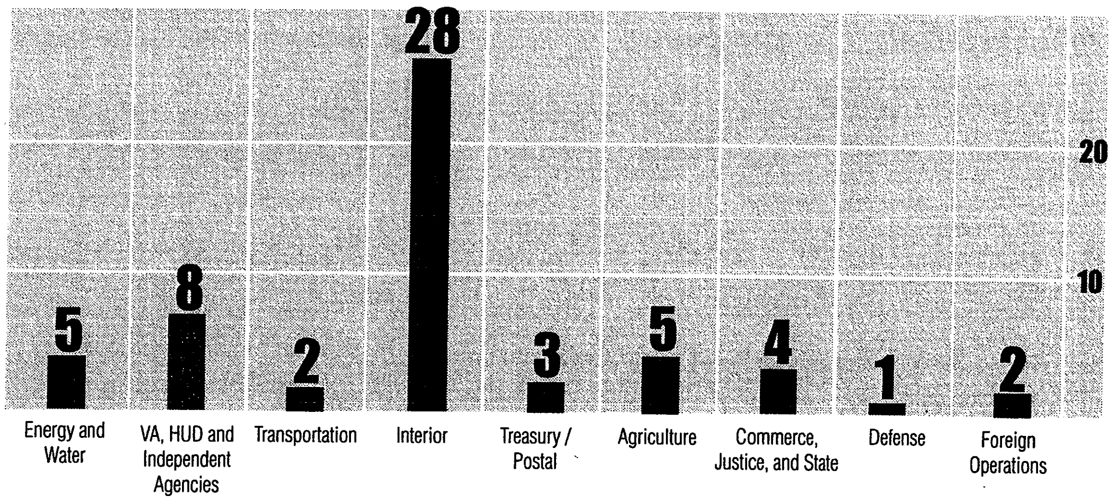
Riders Run Rampant

This year, it's more of the same. With Congress unable or unwilling to obtain the majority needed for passing new legislation, very little lawmaking occurs.

Anna Aurilio is a staff scientist for the state PIRGs, based in Washington, D.C.

"Ride-along" Legislation

Each year, Congress must pass 13 appropriations bills to fund the government. Increasingly, special interest lobbyists have succeeded in convincing members of Congress to attach politically unpopular anti-environmental riders to these bills. As of September 24, the appropriations bills before the House and the Senate included a total of 58 anti-environmental riders.



Already more than 58 anti-environmental riders have been attached to appropriations bills this session and the number continues to rise.

For example, a favorite rider of automakers is the "CAFE freeze rider," which is routinely attached to the appropriations bill funding the Department of Transportation.

This rider has been attached and passed each year since 1994 to prohibit the DOT from increasing the Corporate Average Fuel Economy, the federal fuel efficiency standard, for sport utility vehicles (SUVs) and other light trucks. Manufacturers of light trucks enjoy miles per gallon requirements that lag substantially behind those for other automobiles.

Another anti-environmental rider would weaken the 1872 Mining Law, which itself is antiquated and badly in need of reform.

Since the 1872 Mining Law was enacted, the mining industry has extracted billions of dollars in minerals from public lands at no cost, while contaminating our air, land and water in the process. Often, taxpayers are left to clean up the mess.

In all, the industry has polluted more than 12,000 miles of rivers and streams in the United States and left half a million abandoned mines, 70 of which are now Superfund sites posing grave health threats to surrounding communities.

Despite the consequences for the environment and public health, Senators Harry Reid (Nev.) and Larry Craig (Idaho) have attached a rider to the Interior Appropriations bill that would exempt mining operations from limits on dumping toxic mining waste.

Yet another rider attached to the Interior Appropriations bill by Senators Slade Gorton (Wash.) and Craig would allow federal land managers to make decisions about logging, grazing and other public land uses without having to use the most up-to-date scientific information on wildlife.

Stopping the Riders

It will take a concerted effort to stop the flood of anti-environmental riders.

But there is hope. On July 26, the House voted 273-151 to block the Senate mining rider.

That same day, the Senate voted to make it much more difficult to add riders to appropriations bills on the Senate floor.

Unfortunately, riders can still be added both in Senate committees and in conference committees.

But the House vote shows that at least in specific cases, political will exists to stop this anti-democratic, harmful practice.

The Senate vote demonstrates that Senators, at least in some instances, also oppose using riders to make policy.

The sheer number of destructive riders that are being attached will make it difficult to stop them all.

But PIRG staff will continue to expose the polluters' riders and work to persuade legislators to oppose them.

We will warn the public about the devastating consequences anti-environmental riders carry and name the legislators who attach them.

And we'll identify the special interests who benefit from this back-door attack on democracy. ■

Stop The Rollback

PIRG is calling on Congress to strip all anti-environmental riders from appropriations and emergency spending bills.

In addition, PIRG is calling on the Clinton administration to live up to its promise to veto any bill that contains anti-environmental riders. ■

Member Action

RIDERS

✓ Call President Clinton at (202) 456-1111. Urge him to veto any bills that contain anti-environmental riders.

News Briefs

Despite Promises, Old Plants Still Pollute

A report drawn from EPA and U.S. Department of Energy data has found that a 23% increase in power generated by Wisconsin's plants since 1992 sent an additional 9.7 million tons of smog-forming nitrogen oxide into the state's air last year—an amount equivalent to 1.4 million cars' worth of emissions.

Authored by WISPIRG and the Environmental Working Group, the report looked at 446 power plants across the nation.

> "The Clean Air Act lets old power plants pollute far more than new ones."
>
> —WISPIRG's Kerry Schumann

Among its major findings:

- Wisconsin's coal-fired power plants increased output of carbon dioxide, the primary cause of global warming, by 23% over the last seven years.
- The national increase in coal-fired power generated since 1992 has been almost 300 million additional tons of carbon dioxide. It would take 44 million cars a year to produce the same amount of pollution.

WISPIRG identified several incentives for utility companies to burn coal:

"The Clean Air Act lets old power plants pollute far more than new plants. It's riddled with loopholes that allow unlimited emissions of toxic mercury and carbon dioxide," said WISPIRG Advocate Kerry Schumann.

"When the Clean Air Act passed in 1970, the utility lobby convinced Congress that these coal-burning plants would soon be replaced, so it wasn't necessary to clean up their pollution.

"Thirty years later, those dirty dinosaurs are still operating with few pollution controls and they're a long way from retirement."

Drawing on the report, WISPIRG urged Congress to end the pollution exemption for old plants.

WISPIRG also advocates for requiring all power plants, regardless of age or fuel-type, to meet new emission standards for nitrogen oxide and sulfur dioxide.

WISPIRG also seeks to cap carbon dioxide and mercury emissions at levels that will meet or exceed all international obligations.

As a long-term solution, WISPIRG advocates sustainable energy sources, such as solar and wind power. ■

Member Action

✓ SCORECARDS
To view a copy of your representatives' Congressional Scorecards, log on to PIRG's Web site at www.pirg.org.

WISPIRG Seeks Cap On Payday Loan Rate

WISPIRG has joined the AARP and the Center for Public Representation in the fight to cap interest rates for so-called payday loans, money lent to consumers who give post-dated checks as collateral.

WISPIRG supports a proposal by state Sen. Judy Robson to cap the annual percentage rate on payday loans at 26%.

Lenders typically charge a 500% annual interest rate on what is normally a two-week loan.

The way payday loans work: a customer ordinarily writes the lender a check for under $1000, for example $360.

The lender agrees to hold the check until the customer's next payday, and advances $300.

But when the check is eventually cashed, many consumers can't cover it. They are forced to roll the loan over by paying another $60 in cash and writing another postdated check for $360.

Payday lending is a rising trend in Wisconsin. In 1993 only one licensed payday lender operated in Wisconsin. Today there are 200.

And, in 1997, the last year for which figures are available, payday lenders made 350,000 loans to Wisconsin consumers for $73.9 million.

Nearly 20 other states, including Michigan and Indiana, have capped the rates that payday lenders can charge. ■

Congress Scored On Public Interest Issues

On June 2, WISPIRG and other state PIRGs released their annual Congressional Scorecards for U.S. Senators and Representatives on major consumer, environmental and government reform issues.

Nationally, 125 members of the House of Representatives and Senate scored 80% and above. Nineteen representatives scored 100% on their votes.

There were 47 members of Congress with scores at 10% or below. Three members scored 0%.

The average House score for Wisconsin representatives was 76%, well above the national average of 49%.

Rep. Thomas Barrett (5th) earned the highest score for the Wisconsin delegation in the House with 100%, followed by Rep. Ron Kind (3rd) with 95%.

Wisconsin Sen. Russell Feingold scored 92% and Sen. Herb Kohl scored a 77% rating. The national average for the Senate was 47%.

More information on PIRG's scorecards, including scores for all members of Congress and a list of criteria considered, is available online at www.pirg.org. ■

WISPIRG Interview

State Senator Judy Robson

Judy Robson is in her first term in the Wisconsin Senate, after serving in the State Assembly since 1987. One of Robson's main priorities is protecting consumers.

WISPIRG Advocate Kerry Schumann spoke with Robson recently about S.B. 96, sponsored by the senator. The bill would protect consumers by capping the exorbitant rates charged by the state's payday lenders.

Why did you decide to author the payday lending legislation?

It came to our attention that there was a class action lawsuit against the industry for abuses of the Wisconsin Consumer Act.

However, I soon realized that because the payday industry was so new, Wisconsin didn't have any laws to stop the industry from being abusive. This is an industry that preys on working families who are desperate for money. As a result, these families wind up in a cycle of debt they cannot climb out of, with some cases ending up bankruptcy.

This is a growing problem in Wisconsin. In 1991, there was one payday lender in Wisconsin; now there are close to 200. Why is this industry expanding so rapidly?

There is a huge profit margin to be made in the industry right now, and there is no regulation. The poverty sharks flourish when there is no one there to protect the consumer. I intend to change that.

What exactly would S.B. 96 do? How would it affect the industry?

It would force the industry to act responsibly. Right now, someone who needs a two week loan for $100 typically has to pay about $120 to get the $100, approximately a 520% annual percentage rate.

The problem worsens when that loan continues past the short-term status. With fees and rates, people pay 500% to 1000% interest a year for a payday loan.

That's just not acceptable. I don't know anyone who would agree to a loan at 500% to 1000% interest unless they were truly desperate.

S.B. 96 would hold the industry to a reasonable rate similar to the one under which pawnbrokers in Wisconsin now operate.

Such a measure would require the industry to be reasonable and conscientious. Wisconsin would then join over 20 states that have already regulated the industry.

What other issues do you see affecting consumers in Wisconsin?

I am currently considering a bill that would regulate title loans, so consumers desperate for cash aren't losing their cars as well.

Wisconsin State Senator Judy Robson

What role can organizations like WISPIRG play in stopping this and other anti-consumer practices?

Mobilize citizens to lobby the legislature. The payday loan industry is a very powerful one with a well-paid lobby. The only way

> **"This is an industry that preys on working class families that are desperate for money."**
> —Judy Robson

we are going to persuade legislators not to succumb to its influence is to flood their offices with calls from constituents. You can leave a message for your legislators toll-free at 1-800-362-WISC (9472). Tell them to support S.B. 96 and stop this outrageous consumer ripoff.

Member Action

✓ PAYDAY LOANS
Call your legislators toll-free at 1-800-362-WISC and tell them to support a cap on interest rates charged for payday loans.

Clean Beaches

—continued from page 1
Schumann praised Milwaukee's public notification program as a model for the state. Milwaukee closed South Shore Beach five times last summer for a total of 22 days, due to sewer overflow, boat discharge, and storm water.

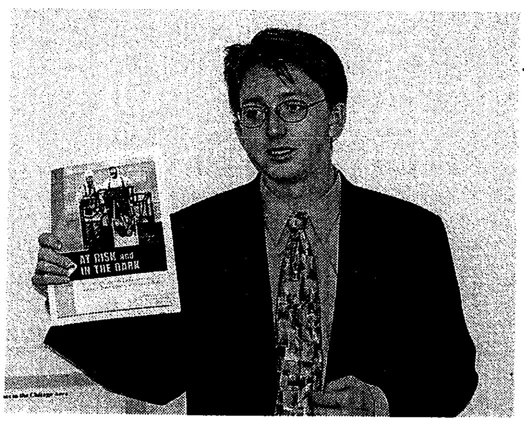
The report also found that beach pollution advisories and closings around the nation were up 75% from 1997, due mostly to increased bacteria levels.

In addition to their local efforts, WISPIRG, the National Resources Defense Council, and other coalition members support legislation that would establish federal monitoring and public notification programs, as well as set nationwide protection standards for all waterways. ■

News Briefs

Shareholders Show Support For Arctic

A record number of oil industry shareholders—nearly five percent of ARCO shareholders and 10 percent of Chevron shareholders—voted in favor of resolutions to protect part of Alaska's Arctic National Wildlife Refuge from oil drilling.



Jim Amspacher

AT RISK—*In Washington, D.C., PIRG Environmental Policy Associate Jeremiah Bauman explains the results of the report "At Risk and In the Dark." The report found that only one percent of chemical facilities surveyed nationwide have worked to reduce the threat that worst-case chemical accidents pose to local communities (see story at right).*

The support guarantees that the resolutions will be voted on at the next shareholders' meetings and puts pressure on ARCO and Chevron to cancel plans for drilling in the Arctic.

The ARCO resolution was filed on the PIRGs' behalf by Green Century Funds. Trillum Asset Management filed the Chevron resolution for the PIRGs.

PIRG policy analyst Athan Manuel, who authored the shareholder resolutions, is working to win permanent protection for the Alaskan coastal plain.

Manuel has also been building support in Congress for the Arctic Wilderness Protection Act, which currently has 160 co-sponsors in the House of Representatives. ■

PIRG Researches Genetic Engineering

Concerned by the potential damage posed to the environment and to public health by genetically engineered (GE) foods, PIRG is preparing a package of proposed regulations to protect consumers.

Several GE crops have already reached wide-scale use in the United States. The most popular are Round-Up Ready plants developed by Monsanto to withstand the company's Round-Up herbicide.

But public outcry over GE foods has grown substantially after a Cornell study linked pollen from genetically engineered corn to increased death rates of Monarch butterflies.

PIRG's solution includes labeling of genetically engineered products, and requiring proof that the products are safe before being sold on the market. ■

Facilities Have No Plans To Limit Disaster Zones

In a report released just one week before a federal deadline required chemical companies to disclose plans for dealing with worst-case chemical accidents at their facilities, PIRG has found that almost none of the facilities surveyed had set goals for reducing the hazard accidents pose to local communities.

The report, released to the media on June 14, was based on a survey of facilities conducted by PIRG Environmental Associate Jeremiah Bauman.

The Working Group On Community Right-To-Know and the Sierra Club also contributed to the report.

While most of the facilities surveyed have plans for dealing with worst-case accidents, only two out of 175 have used those plans to set goals for reducing their chemical disaster zones—the part of the surrounding community that would be affected by the worst case chemical accidents.

Bauman called on chemical companies to commit to concrete goals for reducing their chemical disaster zones and for Congress to resist attempts by special interest groups to block the public release of worst-case chemical accident information. ■

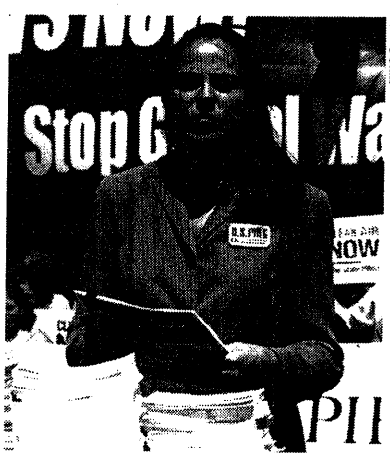
Stop Global Warming

Senators Join Call For Fuel Efficiency

A bipartisan group of 31 senators has signed onto a PIRG-backed proposal to make sport utility vehicles (SUVs) more fuel-efficient.

On May 27, the senators sent a letter to President Clinton urging him to work with the Senate to close a loophole in the Corporate Average Fuel Efficiency (CAFE) standards set for manufacturers of SUVs and other light trucks. CAFE standards currently allow light trucks to average fewer miles per gallon than other automobiles.

On the same day the senators sent their letter to the president, the Transportation Subcommittee of the House Appropriations Committee voted to prohibit the Department of Transportation (DOT) from increasing federal CAFE standards for SUVs and other light trucks. The legislation was approved by the House on June 23.



PIRG staff

GLOBAL WARMING ADVOCATE—*PIRG Environmental Attorney Katherine Silverthorne speaks to reporters about legislation to improve CAFE standards for automobiles. Such legislation has been consistently killed by auto industry lobbyists.*

"SUVs, minivans and other light trucks don't have to be gas guzzlers," said PIRG's Katherine Silverthorne. "It's time for automakers to stop exploiting the loophole in miles per gallon standards and start making these vehicles go much further on a gallon of gas."

On June 16, Silverthorne released a report showing that every year, the U.S. spews hundreds of millions of tons of global warming pollution into the atmosphere—the vast majority of which comes from burning fossil fuels like oil and coal.

Congressional action to curb carbon dioxide emissions is particularly timely, Silverthorne noted, as much of the nation suffered through one of the driest summers on record, adding to public awareness of the impact of global climate change.

Stagnant CAFE Standards

In the mid-1970s, Congress enacted CAFE standards to require automakers to build cars that meet certain fuel efficiency standards.

Today, the standards require automakers to have their entire car fleets average 27.5 miles per gallon, while light truck fleets need average only 20.7 miles per gallon.

In 1999, with SUVs and other light trucks making up almost half of the new cars sold, the average vehicle on the road today gets worse gas mileage than the average vehicle 15 years ago.

In 1994, the Department of Transportation (DOT) issued a notice that it was considering raising the light truck standard to the same as cars.

The auto industry fought the move and convinced representatives to attach CAFE-freeze to legislation to fund the DOT.

Similar language has been attached to DOT's funding bills in each year since. But the tide may be turning. Although support from 31 Senators is far short of a majority and just under the 34 votes needed to sustain a presidential veto, Silverthorne said that the current proposal in the Senate to increase fuel efficiency for light trucks has the best chance for passage in recent years.

AP/Wide World Photo

ECONOMIC LOSS—*A New England farmer inspects crops that have been largely ruined due to record high temperatures and low rainfall. While the scientific debate over whether global warming exists may be over, the political debate over what, if anything, the U.S. should do to slow its pace continues.*

Her June report, entitled "Danger Ahead: Putting The Brakes On Global Warming," illustrates the difference higher CAFE standards could make:

- Emissions from cars, sport utility vehicles (SUVs) and other light trucks are responsible for about 20% of the emissions from fossil fuel burning;

- Americans could reduce global warming pollution by 187 million tons per year and save more than $13 billion in fuel costs per year if Congress allowed the Department of Transportation to close the fuel efficiency loophole for SUVs and other light trucks; and

- If CAFE standards for light trucks were raised, the average light truck, SUV or minivan owner could save $206 per year at the gas pump, and the nation's oil consumption could be reduced by about 336 million barrels per year, or almost one million barrels per day. ■

Member Action

✓ CLIMATE CHANGE
Call your Senator at 202-224-3121 and urge that he or she back the proposal to close the SUV loophole in federal fuel efficiency standards.

Clean Air Now

—*continued from page 1*

forming air pollution, responsible for 30% of the country's smog-forming nitrogen oxide emissions.

A loophole in current standards allows SUVs and other so-called "light trucks" to emit as much as three times more nitrogen oxide than other automobiles. Last fall, armed with this information, the EPA began the process for enacting tougher safeguards for auto pollution by proposing to:

- implement automobile emission standards that would reduce average car emissions by 89%;
- require most SUVs and other light trucks to meet the same air pollution standards as cars; and
- require the oil industry to sell less polluting, low sulfur gasoline.

The American Petroleum Institute opposes the EPA's proposal for less polluting fuel and automakers are pressing the EPA to write an "escape hatch" into the new pollution rules that could allow them to avoid tougher standards.

To combat the special interest pressure, PIRG launched an effort this summer to increase public awareness of the problem.

Jason Marker

CONVERSATION PIECE—*WISPIRG and state PIRG staff across the country used a 14-foot tall balloon shaped like an SUV to help spark a national discussion this summer about air quality.*

State PIRG staff commissioned the construction of a 14-foot tall inflatable balloon shaped like an SUV, with the words "Clean Cars Now" emblazoned on its side.

PIRG staff inflated the giant SUV outside each of the EPA hearings.

The SUV helped draw more than 40 television cameras, as well as 30 newspaper reporters to come learn more about the effects of automobile pollution.

Stanfield and other PIRG staff continue to make the case for stronger auto pollution standards as the EPA and the Clinton administration near a final decision. ■

WISPIRG

WISPIRG is an advocate for the public interest. When consumers are cheated, or our natural environment is threatened, or the voices of ordinary citizens are drowned out by special interest lobbyists, WISPIRG speaks up and takes action. In the watchdog tradition of Ralph Nader, we uncover threats to public health and well-being and fight to end them, using the time tested tools of investigative research, media exposés, grassroots organizing, advocacy and litigation. WISPIRG's mission is to deliver persistent, result-oriented public interest activism that protects our environment, encourages a fair, sustainable economy, and fosters responsive, democratic government.

WISPIRG CITIZEN ADVOCATE

WISPIRG CITIZEN ADVOCATE is the report of the Wisconsin Public Interest Research Group (WISPIRG), sent to WISPIRG members three times a year. WISPIRG CITIZEN ADVOCATE is printed on recycled paper.

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