

Committee Name:

**Senate Committee – Privacy, Electronic Commerce and Financial Institutions
(SC-PECFI)**

Appointments

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Clearinghouse Rules

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Committee Hearings

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Hearing Records

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Misc.

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Record of Committee Proceedings

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Assembly Bill 807
LAW REVISION BILL

Analysis:

Pawnbrokers: Prior to 1997, persons operating "pawn shops" were subject to regulation under Wisconsin's trade regulation statutes, s. 134.71, and separate pawnbroker statutes, s. 138.10. Generally, under these statutes, pawnbrokers were required to obtain a license/permit from the municipality in which they operated and were subject to interest caps and certain reporting requirements. However, the budget bill of 1997 (1997 Act 27) included language, which allowed pawnbrokers to be licensed by the Department of Financial Institutions as loan companies under s. 138.09. While not necessarily intended, these modifications left a great deal of uncertainty in jurisdiction, limits, and regulation of these entities. In particular, interest limitations for pawnbrokers as loan companies were in direct conflict with interest limitations on pawnbrokers under s. 134.71.

The changes recommended in this proposal are intended to clarify regulatory jurisdiction for pawnbrokers who are licensed as loan companies under s. 138.09, while still maintaining a regulatory role for municipalities who also license pawnbrokers. The proposed changes clarify and strengthen the department's rule-making authority over pawnbrokers by specifically stating that the department may draft rules necessary to regulate them. The reference to this rule-making authority is also moved from s. 138.10 and placed more properly within s. 138.09.

Authority of the division of banking: This bill specifies that DFI's authority to enforce laws relating to banks and banking also extends to mortgage bankers, mortgage brokers and loan originators.

Trust services: Specifies that out of state trusts are regulated the same as in state trusts.

Sellers of checks: Current law exempts telegraph companies from licensure as a "seller of checks." This bill eliminates the exemption for telegraph companies (which are no longer in business).

Securities and investments: Clarifies that securities brokers have the ability to pay interest on funds pending investment. (They are allowed to pay interest – they don't have to). Current law is unclear on this matter.

Franchises: If key changes are made to a franchise's basic registration, it is unclear whether they are required to submit updated registration forms or if they may just file an amendment to the basic registration. This clarifies that they may simply file an amendment rather than the entire filing.

Collection agencies: Currently a "professional men's associations" is exempt from regulations as a collection agency if they collect accounts for their members. However,

“professional men’s association” doesn’t refer to anything – it is undefined and does not exist. This deletes this term from the statutes.

Assembly Bill 808

Credit unions are required to maintain a reserve account to cover losses the credit union may experience. The amount and timing of transfer to the account is determined by the National Credit Union Administration (NCUA). This is the same as the requirement by the FDIC imposes on banks. The National Credit Union Administration (NCUA) guarantees credit union accounts up to \$100,000 (the same as the FDIC). Wisconsin law is currently conflicting with NCUA on the time frame that a credit union is required to transfer the funds. This bill simply replaces WI law by saying that the credit union must adhere to national requirements.