

### Fiscal Estimate - 2005 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> <b>05-0689/1</b>	<b>Introduction Number</b> <b>AB-914</b>	
<b>Description</b> Finance charges for payday loans		
<b>Fiscal Effect</b>		
<b>State:</b>		
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b>		
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue      5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.144(1)(g)		
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DFI/ Susan Dietzel (608) 267-0399	Susan Dietzel (608) 267-0399	1/23/2006

## Fiscal Estimate Narratives

DFI 1/24/2006

LRB Number	<b>05-0689/1</b>	Introduction Number	<b>AB-914</b>	Estimate Type	<b>Original</b>
<b>Description</b> Finance charges for payday loans					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates a maximum finance charge of 2% per month for loans defined as payday loans and requires the Department to enforce the provisions of the bill. Lenders covered by the provisions of this bill are currently licensed and regulated as licensed lenders.

Currently, payday loan providers charge over 500% APR. Based on information from other states, it is likely that, given the parameters of this bill, these lenders would either 1) partner with a national or out-of-state chartered bank so they can import interest rates and avoid state caps, 2) discontinue operations, or 3) operate without a license.

Based on this information, it is likely that these lenders may choose not to be licensed by the state, reducing revenue to the Department. Assuming 438 lenders would no longer be licensed with an annual renewal rate of \$500 and an estimated additional \$32,000 associated with fees not received from potential new licensees, the total annual revenue reduction would be \$251,000.

Costs associated with these lenders would not measurably be affected as the Department is given responsibility for enforcement of the provisions of this bill and would need to maintain a reasonable level of complaint resolution and enforcement activity.

### Long-Range Fiscal Implications