

2007 DRAFTING REQUEST

Bill

Received: 11/09/2006

Received By: csundber

Wanted: As time permits

Identical to LRB:

For: Marlin Schneider (608) 266-0215

By/Representing:

This file may be shown to any legislator: NO

Drafter: mkunkel

May Contact:

Adl. Drafters:

Subject: Fin. Inst. - int. rates/loans

Extra Copies:

Submit via email: YES

Requester's email: Rep.Schneider@legis.wisconsin.gov

Carbon copy (CC:) to: christopher.sundberg@legis.wisconsin.gov

Pre Topic:

No specific pre topic given

Topic:

Payday loan interest charges

Instructions:

Redraft 2005 AB 914

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	csundber 11/09/2006 mkunkel 11/09/2006	wjackson 11/30/2006		_____			State
/1			rschluet 11/30/2006	_____	sbasford 11/30/2006	sbasford 12/01/2006	

FE Sent For: *at ltr*

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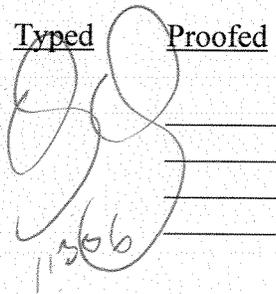
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/?	csundber 11/09/2006 mkunkel	1 WJ 11/30					

FE Sent For:

<END>

D-NOTE

Wlj ↑

-0654/1

RM NOT RUN

2005 ASSEMBLY BILL 914

LPS: Please proof amended stat. w/ folio.

Other

January 17, 2006 - Introduced by Representatives SCHNEIDER, BOYLE, TRAVIS, MUSSER, ALBERS, HAHN and SHERIDAN, cosponsored by Senators JAUCH and MILLER. Referred to Committee on Financial Institutions.

Regen

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

Analysis by the Legislative Reference Bureau

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

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

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

ASSEMBLY BILL 914

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

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

1 **SECTION 1.** 138.09 (title) of the statutes is repealed and recreated to read:

2 **138.09** (title) **Licensed lenders.**

3 **SECTION 2.** 138.09 (1m) (a) of the statutes is amended to read:

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

16 **SECTION 3.** 138.14 of the statutes is created to read:

17 **138.14 Payday loan providers. (1) DEFINITIONS.** In this section:

18 (a) "Check" has the meaning given in s. 403.104 (6).

19 (b) "Payday loan" means any of the following:

20 1. A transaction between a person and the issuer of a check in which the person
21 agrees to accept a check from the issuer, hold the check for a period of time before

ASSEMBLY BILL 914

1 negotiating or presenting the check for payment, and pay to the issuer, upon
2 accepting the check, the amount of the check less any finance charge.

3 2. A refinancing or consolidation of a transaction described in subd. 1. ✓

4 (c) "Payday loan provider" means a person, other than a bank, savings bank,
5 savings and loan association, or credit union, who makes payday loans in the
6 ordinary course of business.

7 **(2) FINANCE CHARGES.** Notwithstanding ss. 138.09 and 422.201 (9), no payday
8 loan provider may assess a finance charge on a payday loan that exceeds 2 percent
9 per month. The division of banking shall enforce this subsection.

10 **SECTION 4.** 422.201 (3) of the statutes is amended to read:

11 422.201 **(3)** ~~For~~ Notwithstanding sub. (2), for licensees under s. 138.09 and
12 under ss. 218.0101 to 218.0163, the finance charge, ~~calculated according to those~~
13 ~~sections,~~ may not exceed the applicable maximums permitted in and calculated
14 under ss. 138.09, 138.14, and 218.0101 to 218.0163, respectively.

15 **SECTION 5. Initial applicability.**

16 (1) This act first applies to payday loans made, refinanced, or consolidated on
17 the effective date of this subsection.

18 **SECTION 6. Effective date.**

19 (1) This act takes effect on the first day of the 6th month beginning after
20 publication.

21 (END)

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0654/1dn
MDK: f:...

WJ

Rep. Schneider:

This is a redraft of 2005 AB 914.

Mark D. Kunkel
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**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0654/1dn
MDK:wj:rs

November 30, 2006

Rep. Schneider:

This is a redraft of 2005 AB 914.

Mark D. Kunkel
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Barman, Mike

From: Schneider, Marlin
Sent: Thursday, November 30, 2006 3:21 PM
To: LRB.Legal
Subject: Draft Review: LRB 07-0654/1 Topic: Payday loan interest charges

Please Jacket LRB 07-0654/1 for the ASSEMBLY.