



## Fiscal Estimate Narratives

DFI 4/3/2007

LRB Number	<b>07-0898/3</b>	Introduction Number	<b>AB-0211</b>	Estimate Type	<b>Original</b>
<b>Description</b> Finance charges for licensed lenders					

### Assumptions Used in Arriving at Fiscal Estimate

This bill changes the licensing requirements for licensed lenders. Currently, these requirements apply to lenders, other than banks, savings institutions or credit unions, who assess a finance charge on a consumer loan that is greater than 18%. This bill adjusts the definition of a licensed lender such that it applies to those lenders who make consumer loans of \$5,000 or less and caps the finance charge at 36% per year.

There are currently 1,031 licensed lenders. Of these, 503 are classified as payday lenders or pawn brokers and 14 are classified as title lenders. These lenders typically make loans at a rate well above 36% per annum and it is likely that given the parameters of the bill, they will either discontinue operations or operate without a license.

Additionally, 273 of these licensed lenders are mortgage bankers whose loans generally run greater than \$5,000. They would not need to be licensed under this bill.

With an anticipated reduction of 790 licensees, related licensing revenue to the Department would be reduced. Wisconsin Consumer Act registration fees received from these lenders would also be reduced.

790 x \$500 annual renewal \$395,000  
New licensees not licensed 25,000  
Consumer Act registration fee reduction 4,000  
Total estimated annual revenue reduction \$424,000

Costs associated with these lenders would not measurably be affected as the Department would still need to maintain a reasonable level of complaint resolution and enforcement activity.

### Long-Range Fiscal Implications